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VILLAGE ROADSHOW

SCHEME BOOKLET REGISTERED WITH ASIC

12 October 2020: Village Roadshow Limited (ASX: VRL) ("VRL") is pleased to confirm that the Australian Securities and Investments Commission ("ASIC") has today registered the Scheme Booklet for two alternative but concurrent schemes of arrangement under which an entity owned by funds managed by BGH Capital Pty Ltd ("BGH") proposes to acquire control of VRL ("Structure A Scheme", "Structure B Scheme" and together, "Each Alternative Scheme").

A copy of the Scheme Booklet containing information about Each Alternative Scheme, the Independent Expert's Report and the notices convening the Scheme Meetings accompanies this announcement.

Despatch of Scheme Booklet

The Scheme Booklet will be available for viewing and downloading at www.vrlscheme.com.

The Scheme Booklet will be sent to all VRL shareholders on or before 21 October 2020.

VRL shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to view or download a copy of the Scheme Booklet and how to lodge online their election forms for Each Alternative Scheme and their Proxy Forms for the relevant Scheme Meetings.

VRL shareholders who have not elected to receive communications electronically will be mailed a letter which contains these instructions and hard copy proxy forms and election forms for Each Alternative Scheme.

VRL shareholders who wish to receive a printed copy of the Scheme Booklet may request one by calling the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time).

Independent expert's report

The Scheme Booklet includes an independent expert's report prepared by Grant Samuel & Associates Pty Limited ("Grant Samuel"). Grant Samuel has concluded that, in the absence of a higher offer, Each Alternative Scheme is fair and reasonable and in the best interests of VRL shareholders.

Grant Samuel's conclusion should be read in context with the full independent expert's report and the Scheme Booklet.

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Independent Board Committee's recommendation and voting intention

VRL's independent directors unanimously recommend voting in favour of Each Alternative Scheme, in the absence of a superior proposal. Each independent director intends to vote all VRL Shares held or controlled by them, in favour of Each Alternative Scheme, in the absence of a superior proposal.

VRC Related Directors' recommendation and voting intention

Mr Robert Kirby, the Executive Chairman of VRL, Mr Graham Burke, Non-Executive Director, and Mr John Kirby, Non-Executive Director ("VRC Related Directors"), each have a material personal interest in the outcome of the Structure A Scheme in their separate capacities as a director and major shareholder of Village Roadshow Corporation Pty Ltd ("VRC"), being the acquirer of all of the VRL Shares (other than those held by VRC and the VRC Principals) under the Structure A Scheme. Accordingly, each of Messrs Robert Kirby, Graham Burke and John Kirby do not desire to make and do not consider themselves justified in making a voting recommendation in relation to the Structure A Scheme.

In relation to the Structure B Scheme, each VRC Related Director recommends that VRL Shareholders vote in favour of the Structure B Scheme, in the absence of a superior Proposal. Subject to that same qualification, each VRC Related Director intends to vote all VRL Shares they hold or control in favour of the Structure B Scheme.[1]

This announcement has been authorised by the VRL Board.

For more information:

Simon Phillipson
Company Secretary
+61 3 9281 1000

[1] In relation to Messrs Graham Burke and Robert Kirby, VRL Shareholders should have regard to the post implementation board and executive arrangements that will apply in relation to Messrs Graham Burke and Robert Kirby as outlined in Section 12.8 of the Scheme Booklet when considering the voting recommendations of Messrs Graham Burke and Robert Kirby.

VILLAGE ROADSHOW

VILLAGE ROADSHOW LIMITED ACN 010 672 054

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SCHEME BOOKLET

For two alternative schemes of arrangement between Village Roadshow Limited and its shareholders in relation to the proposed acquisition of Village Roadshow Limited

The notices for each Scheme Meeting are included in this Scheme Booklet. A proxy form for each Scheme Meeting and an election form for Each Alternative Scheme accompany this Scheme Booklet. Due to COVID-19 health risks, each Scheme Meeting will be a virtual (online only) meeting. Full details of how to participate in the virtual (online only) Scheme Meetings are set out in in this Scheme Booklet.

VOTE IN FAVOUR

YOUR VOTE IS IMPORTANT IN DETERMINING WHETHER EITHER ALTERNATIVE SCHEME PROCEEDS.

YOUR INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF EACH ALTERNATIVE SCHEME, IN THE ABSENCE OF A SUPERIOR PROPOSAL.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR URGENT ATTENTION.

If you are in any doubt as to how to deal with this Scheme Booklet, please consult your legal, financial, taxation or other professional adviser immediately. If after reading this Scheme Booklet you have any questions about Either Alternative Scheme, please contact the VRL Shareholder Information Line on 1300 163 094 (within Australia) or +61 3 9415 4151 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time).

If you have recently sold all of your VRL Shares, please disregard all enclosed documents.

LEGAL ADVISER TO VRL

MinterEllison

FINANCIAL ADVISER TO VRL

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OVERVIEW OF THIS SCHEME BOOKLET

What is this Scheme Booklet for?

This Scheme Booklet has been sent to you to help you understand the terms of two alternative, concurrently proposed schemes of arrangement between VRL and its Shareholders to give effect to an acquisition of VRL by entities owned by funds managed or advised by BGH Capital Pty Ltd (**Structure A Scheme**, **Structure B Scheme** and together **Each Alternative Scheme** or **Either Alternative Scheme**, as the context requires).

Only one of the Structure A Scheme and the Structure B Scheme will proceed, if approved by VRL Shareholders and by the Court. The Structure B Scheme can only proceed (if approved) if the Structure A Scheme is not approved by VRL Shareholders or by the Court.

Each Alternative Scheme is subject to the approval of VRL Shareholders, so this Scheme Booklet includes information relevant to your decision as a VRL Shareholder whether to approve Each Alternative Scheme.

The following diagram shows the key features of Each Alternative Scheme. You should carefully read this Scheme Booklet in its entirety before making any decision in relation to the Structure A Scheme or the Structure B Scheme. You should consider the following diagram in conjunction with the Letter from the Chairman of the Independent Board Committee, which provides further explanation on the material aspects of Each Alternative Scheme.

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Proposed Transaction
The proposed (direct or indirect) acquisition of Village Roadshow Limited by VRG Bidco Pty Limited, an entity owned by funds managed or advised by BGH Capital Pty Ltd or its affiliates

VRL Shareholders vote on Each Alternative Scheme
See Section 1.2 for key features of Each Alternative Scheme

If the Structure A Scheme IS APPROVED by 75% of votes cast and 'simple majority' by number and other conditions are satisfied or waived

VRL Shareholders receive base consideration of $2.20 cash per VRL Share (which may be subject to an uplift of $0.12 cash per VRL Share) or 1 HoldCo Share per VRL Share*
See Section 7 for information on the Structure A Scheme Consideration

If the Structure A Scheme is NOT approved

Structure B Scheme
See Section 8 for information on the Structure B Scheme

If the Structure B Scheme IS APPROVED by 75% of votes cast and 'simple majority' by number and other conditions are satisfied or waived (note that it is a condition of the Structure B Scheme that the Structure A Scheme is NOT approved)

VRL Shareholders receive base consideration of $2.10 cash per VRL Share (which may be subject to an uplift of $0.12 cash per VRL Share) or retain their VRL Shares and VRL Group will be delisted from the ASX**
See Section 8 for information on the Structure B Scheme Consideration

If the Structure B Scheme is NOT approved and/or other conditions are NOT satisfied or waived

VRL Shareholders retain their VRL Shares and neither the Structure A Scheme nor the Structure B Scheme is implemented

* Under the Structure A Scheme, VRL Shareholders may make either a Partial Election (so that 50% of their Scheme Consideration is in the form of HoldCo Shares) or a Maximum Election (so that 100% of their Scheme Consideration is in the form of HoldCo Shares). Elections under the Structure A Scheme are subject to valid Elections being received in excess of the Structure A Share Floor and also subject to scale back if valid Elections are received in excess of the Structure A Share Cap.

** Under the Structure B Scheme, Elections are subject to scale back if valid Elections are received in excess of the Retention Cap. If the Structure B Scheme is implemented, a Restructure Event may occur. For further details of the Restructure Event please refer to Sections 1.3 and 8.2(e).

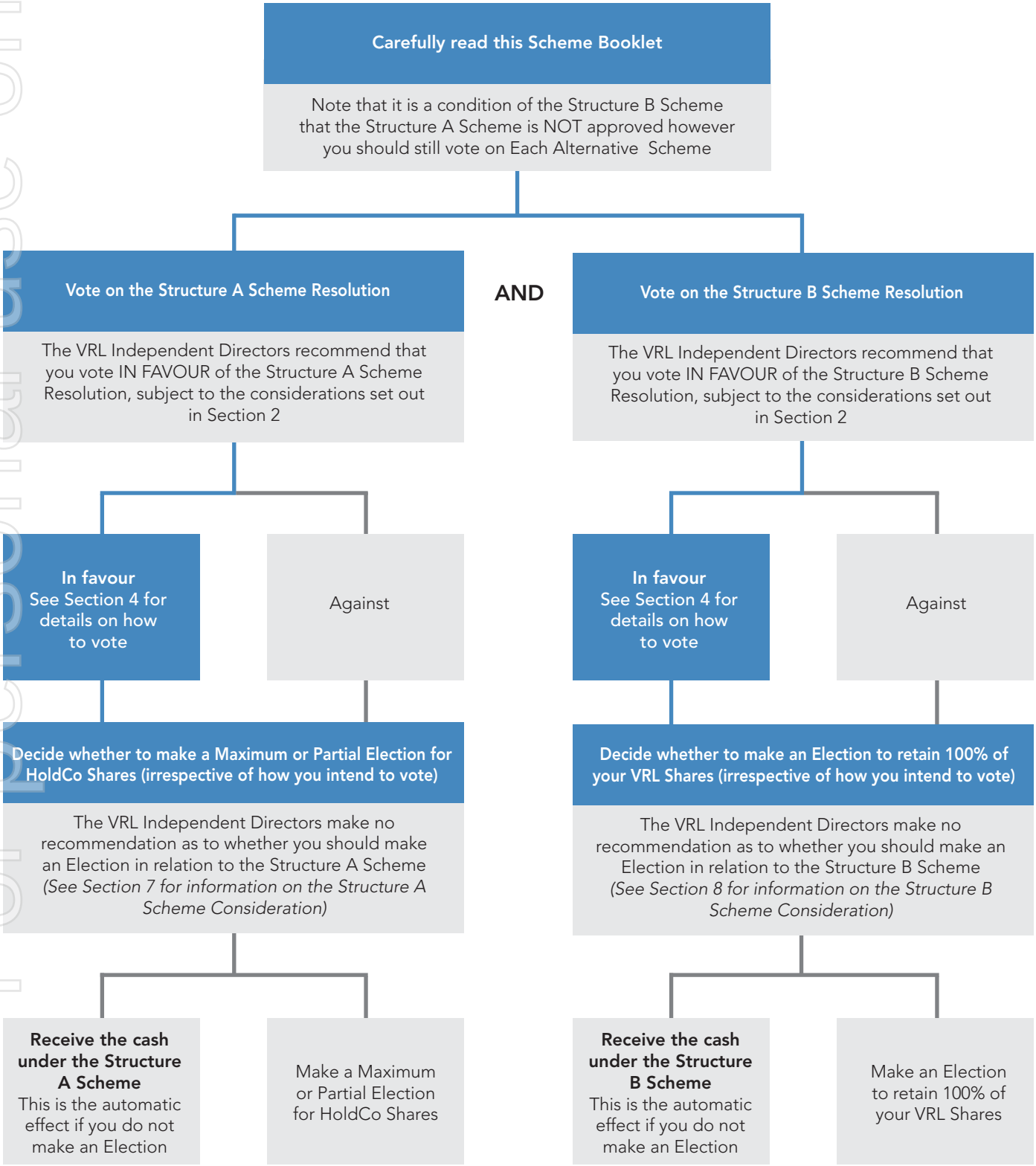
Why should you vote?

As a VRL Shareholder, you have a say in whether or not Either Alternative Scheme proceeds. Neither Scheme can proceed unless it is approved by the requisite majorities of VRL Shareholders at the relevant Scheme Meeting – this is your opportunity to play a role in deciding the future of your investment in VRL. **Important:** you should vote on BOTH the Structure A Scheme and the Structure B Scheme and irrespective of the outcome of the shareholder vote on the Structure A Scheme. Please refer to Sections 1.4 and 4.2 for further information.

What you should do next

As a VRL Shareholder, you have a number of decisions to make in relation to Each Alternative Scheme. The key decisions for you to make are outlined in this diagram.

The VRL Independent Directors unanimously recommend that you follow the **blue boxes** in this diagram when making your decisions in relation to Each Alternative Scheme.



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Step 1: Read this Scheme Booklet

You should carefully read this Scheme Booklet in its entirety before making a decision on how to vote on Each Alternative Scheme and whether to make an Election.

If after reading this Scheme Booklet you have any questions about Either Alternative Scheme, please contact the VRL Shareholder Information Line on 1300 163 094 (within Australia) or +61 3 9415 4151 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time).

If you are in any doubt as to how to deal with this Scheme Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

Step 2: Decide whether or not to make an Election

Regardless of your voting intentions (see Step 3 below), you may wish to make two separate Elections under Each Alternative Scheme or a single Election under Either Alternative Scheme. In the absence of any Election, you will receive the default all Cash Consideration under Either Alternative Scheme, if either becomes Effective. **To make an Election, please follow the instructions at pages 24 to 26**. In particular, please note that Election Forms under Either Alternative Scheme must be received by the Share Registry by 5.00pm on Monday, 16 November 2020, which is seven clear days before the Proxy Cut-Off Date: see further Important Dates and Times commencing at page 6.

Step 3: Vote on Each Alternative Scheme

a. Your vote is important

For either the Structure A Scheme or the Structure B Scheme to proceed, it is necessary that sufficient VRL Shareholders vote in favour of Either Alternative Scheme. **Important**: you should vote on BOTH the Structure A Scheme and the Structure B Scheme and irrespective of the outcome of the shareholder vote on the Structure A Scheme. Please refer to Sections 1.4 and 4.2 for further information.

b. Who is entitled to vote?

If you are registered as a VRL Shareholder by the Share Registry at the Voting Entitlement Time (7.00pm (Melbourne time) on Tuesday, 24 November 2020), you will be entitled to vote at the Scheme Meetings.

c. How to vote?

For full information on how to vote on Each Alternative Scheme, please refer to Section 4. Due to the health risks created by the COVID-19 pandemic, the Scheme Meetings will proceed as virtual (online only) meetings. There will not be a physical meeting that VRL Shareholders and their proxies, attorneys or corporate representatives can attend.

Is Each Alternative Scheme in the best interests of VRL Shareholders?

✔ The Independent Expert has concluded that, in the absence of a Superior Proposal, Each Alternative Scheme is **FAIR AND REASONABLE** and therefore in the **BEST INTERESTS** of VRL Shareholders.

The Independent Expert's Report is included in Appendix 1 to this Scheme Booklet.

What do the VRL Independent Directors recommend?

✔ Your Independent Directors **UNANIMOUSLY RECOMMEND** that you vote **IN FAVOUR OF** Each Alternative Scheme, in the absence of a Superior Proposal. Your Independent Directors intend to vote all VRL Shares they hold or control **IN FAVOUR OF** Each Alternative Scheme, in the absence of a Superior Proposal.

What do the VRC Related Directors recommend?

The VRC Related Directors abstain from making a recommendation on the Structure A Scheme, as they have a material personal interest in that scheme, noting that VRC is the intended acquirer of all of the VRL Shares (other than those held by VRC and the VRC Principals) under the Structure A Scheme.

✔ The VRC Related Directors **UNANIMOUSLY recommend that you vote IN FAVOUR of the Structure B Scheme**. The VRC Related Directors intend to vote all VRL Shares they hold or control **IN FAVOUR OF** the Structure B Scheme, in the absence of a Superior Proposal.

Please refer to Sections 1.7 and 2.4 for further details on the recommendation of the VRC Related Directors.

What if you have questions in relation to Either Alternative Scheme?

If you have questions in relation to Either Alternative Scheme, you should refer to the Frequently Asked Questions in Section 3 or contact the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time). Alternatively, you may consult your legal, financial, taxation or other professional adviser.

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Corporate Directory	IBC

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IMPORTANT DATES AND TIMES

All references to time in this Scheme Booklet are references to the time in Melbourne, Australia unless otherwise stated.

Event	Date (and time)
First Court Hearing at which the Court made orders convening the Scheme Meetings	Friday, 9 October 2020
ASX announcement on whether the requirements for the Theme Parks Uplift Event have been satisfied	As soon as practicable after 4.00pm on Friday, 13 November 2020
ASX announcement if the requirements for the Border Uplift Event are satisfied	As soon as practicable on Monday, 16 November 2020, being the first business day after 15 November 2020
Last time and date by which Election Forms under Either Alternative Scheme must be received by the Share Registry (whether by email, post or by fax) (**Election Date**) The Election Date has been set for Monday, 16 November 2020 to ensure that by that date, you will know whether the requirements for the Theme Parks Uplift Event have been satisfied before you decide whether to make an Election	5.00pm on Monday, 16 November 2020
ASX announcement of indicative Election results, including: • in the case of the Structure A Scheme, whether valid Elections have been received in excess of the Structure A Share Floor and the Structure A Share Cap and, in the latter case, whether scale back applies • in the case of the Structure B Scheme, whether the Structure B Retention Cap has been exceeded and, if so, whether scale back applies **Note**: the level of valid Elections disclosed in this announcement will be indicative only because Shareholders making Elections may trade VRL Shares on ASX up to 4.00 pm on the Effective Date. Any additional purchases or sales of VRL Shares made by Electing Shareholders after the Election Date will affect the final level of valid Elections	As soon as practicable on Tuesday, 17 November 2020
Last time and date by which proxy forms or powers of attorney for the Scheme Meetings must be received by the Share Registry (whether by mail, by fax or by lodging your proxy online) (**Proxy Cut Off Date**) By the Proxy Cut Off Date, you will know whether the requirements for the Theme Parks Uplift Event have been satisfied before you decide how you wish to vote by proxy. See Sections 2.7(c), 7.3 and 8.3 for further details.	11.00am, Tuesday, 24 November 2020
Time and date for determining eligibility to vote at the Scheme Meetings (**Voting Entitlement Time**)	7.00pm, Tuesday, 24 November 2020
Structure A Scheme Meeting to be held virtually (online only) – to vote on the Structure A Scheme Resolution	11.00am, Thursday, 26 November 2020
Structure B Scheme Meeting to be held virtually (online only) – to vote on the Structure B Scheme Resolution	12.00 noon, Thursday, 26 November 2020 or at the conclusion or adjournment of the Structure A Scheme Meeting (whichever time is later)
The remainder of this timetable assumes that Either Alternative Scheme is or both are approved by VRL Shareholders. All dates and times in the remainder of this timetable are indicative only and, among other things, are subject to all necessary approvals from the Court and Government Agencies. Any changes to the remainder of this timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through ASX and notified on VRL's website at https://villageroadshow.com.au/	
Second Court Hearing to obtain orders approving the Relevant Scheme	Friday, 4 December 2020
Lodgement by VRL with ASIC of the Court orders approving the Relevant Scheme (**Effective Date**)	Monday, 7 December 2020
Suspension of trading in VRL Shares on ASX	Close of trade on Monday, 7 December 2020
Time and date for determining entitlements to the Scheme Consideration (**Structure A Scheme Record Date / Structure B Scheme Record Date**)	7.00pm on Wednesday, 9 December 2020
Implementation Date	Wednesday, 16 December 2020

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IMPORTANT NOTICES

General

You should read the whole of this Scheme Booklet before making a decision on how to vote on the resolutions to be considered at the respective Scheme Meetings. The notices convening the Scheme Meetings are contained in the Appendices to this Scheme Booklet. A Proxy Form for each Scheme Meeting and an Election Form for Each Alternative Scheme accompany this Scheme Booklet.

Defined terms

Capitalised terms in this Scheme Booklet are defined either in the Glossary in Section 13 or where the relevant term is first used.

Purposes of this Scheme Booklet

The purposes of this Scheme Booklet are to:

- explain the terms and effect of Each Alternative Scheme to VRL Shareholders;
- explain the manner in which Each Alternative Scheme will be considered and, if approved, implemented;
- state any material interests of the Directors, whether as directors, members or creditors of VRL or otherwise, and the effect on those interests of Each Alternative Scheme as far as that effect is different from the effect on the similar interests of other persons; and
- provide the information as is prescribed by the Corporations Act and the Corporations Regulations or as is otherwise material to the decision of VRL Shareholders whether or not to vote in favour of Each Alternative Scheme.

This Scheme Booklet (excluding the Appendices) constitutes the explanatory statement for Each Alternative Scheme as required by section 412(1) of the Corporations Act.

Status of Scheme Booklet

This Scheme Booklet does not constitute or contain an offer to VRL Shareholders, or a solicitation of an offer from VRL Shareholders, in any jurisdiction. This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not have effect in relation to any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court in accordance with section 411(1) of the Corporations Act. Instead, VRL Shareholders asked to vote on an arrangement at such a meeting must be provided with an explanatory statement as referred to above.

No financial product advice

The information contained in this Scheme Booklet is not financial product or investment advice. This Scheme Booklet has been prepared without taking into account your investment objectives, financial situation, taxation position or other particular needs. Before deciding how to vote or act including with respect to making an Election, VRL Shareholders and others should consider the appropriateness of the information having regard to their own investment objectives, financial situation, taxation position and other particular needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. Neither VRL nor HoldCo is licensed to provide financial product advice in respect of VRL Shares, HoldCo Shares or any other financial products. No cooling-off regime applies to the acquisition of HoldCo Shares.

To the extent (if at all) any part of this Scheme Booklet includes financial product advice given by the BidCo Group, the advice has been prepared without taking into account anyone's (whether a recipient of the Scheme Booklet or otherwise), objectives, financial situation or needs. Accordingly, before acting on any such advice, you should consider the appropriateness of the advice having regard to your objectives, financial situation and needs.

Responsibility for information

The VRL Information contained in this Scheme Booklet has been prepared by and is the responsibility of VRL. Each BidCo Group Member and VRC Group Member have not independently verified any of the VRL Information and do not make any representation or warranty (express or implied) as to, and do not assume any responsibility for, the accuracy, relevance or completeness of, the VRL Information.

Grant Samuel & Associates Pty Limited has prepared the Independent Expert's Report in relation to the Scheme in Appendix 1 to this Scheme Booklet and takes responsibility for that report.

EY has prepared the outline of the taxation implications of Each Alternative Scheme in Section 10 and takes responsibility for that Section.

The BidCo Information contained in this Scheme Booklet has been prepared by and is the responsibility of HoldCo and BidCo. Each of VRL and each VRC Group Member have not independently verified any of the BidCo Information and do not make any representation or warranty (express or implied) as to, and do not assume any responsibility for, the accuracy, relevance or completeness of, the BidCo Information.

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The VRC Information contained in this Scheme Booklet has been prepared by and is the responsibility of VRC. Each of VRL and each BidCo Group Member have not independently verified any of the VRC Information and do not make any representation or warranty (express or implied) as to, and do not assume any responsibility for, the accuracy, relevance or completeness of, the VRC Information.

VRL Shareholders outside Australia

This Scheme Booklet has been prepared having regard to Australian disclosure requirements. These requirements may be different from those in other jurisdictions. Accordingly, the release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in those other jurisdictions and persons outside Australia who come into possession of this Scheme Booklet should seek advice on and observe any applicable restrictions. This Scheme Booklet and Each Alternative Scheme do not in any way constitute an offer to buy securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

VRL Shareholders resident outside Australia for taxation purposes should also seek specific taxation advice in relation to the Australian and overseas taxation implications of their participation in Either Alternative Scheme.

ASIC and ASX

A draft of this Scheme Booklet was provided to ASIC for the purpose of section 411(2) of the Corporations Act and a copy of this Scheme Booklet has been registered by ASIC for the purpose of section 412(6) of the Corporations Act.

ASIC has examined a copy of this Scheme Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to Each Alternative Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Relevant Scheme.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A draft of this Scheme Booklet has also been provided to ASX for its review in accordance with the Listing Rules. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDERS UNDER SECTION 411(1) OF THE CORPORATIONS ACT

A copy of this Scheme Booklet was submitted to the Court to obtain orders of the Court under section 411(1) of the Corporations Act directing VRL to convene the Scheme Meetings. Those orders were obtained at the First Court Hearing on 9 October 2020.

The fact that under section 411(1) of the Corporations Act the Court has ordered that a separate meeting of VRL Shareholders be convened by VRL to consider and vote on Each Alternative Scheme and has directed that this Scheme Booklet accompany the Notices of Scheme Meeting does not mean that the Court:

a. has formed any view as to the merits of Each Alternative Scheme or how VRL Shareholders should vote on Each Alternative Scheme (on this matter VRL Shareholders must reach their own decision);

b. has prepared, or is responsible for, the content of this Scheme Booklet; or

c. has approved or will approve the terms of Either Alternative Scheme.

NOTICE REGARDING SECOND COURT HEARING AND IF ANY VRL SHAREHOLDER WISHES TO OPPOSE THE RELEVANT SCHEME

The date of the Second Court Hearing to approve the Relevant Scheme is scheduled for Friday, 4 December 2020.

The hearing will be at 10.15am (Melbourne time) in the Federal Court of Australia (Victoria registry).

A VRL Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Relevant Scheme at the Second Court Hearing. It is possible that the Second Court Hearing will be held either virtually (online only) or by telephone conference. Details on how to attend the Second Court Hearing will be released by VRL to ASX if Each Alternative Scheme or Either Alternative Scheme has been approved by VRL Shareholders at the Scheme Meetings. VRL Shareholders should note that the protocols for attendance at the Second Court Hearing may change at short notice in light of developments relating to the COVID-19 pandemic. Any such change will be announced by VRL to ASX.

If you wish to oppose approval of the Relevant Scheme by the Court at the Second Court Hearing you must file with the Court, and serve on VRL, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on VRL at its address for service at least one day before the Second Court Date.

The address for service is: c/o MinterEllison, Rialto Towers, 525 Collins Street, Melbourne VIC 3000, Attention: Bart Oude-Vrielink. The notice of appearance and affidavit must also be sent by email to bart.oude-vrielink@minterellison.com.

Forward looking statements

Certain statements in this Scheme Booklet are about future matters, including forward looking statements. These forward looking statements and information, including statements and information relating to VRL and the transactions contemplated by the Implementation Agreement, are not based solely on historical facts, but rather reflect the current expectations of:

a. VRL, in relation to the VRL Information; or

b. the BidCo Group, in relation to the BidCo Information,

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concerning future results, events or other matters. These forward looking statements may sometimes be identified by the use of forward looking words or phrases such as *if, when, believe, aim, will, expect, anticipate, intend, foresee, likely, should, could, plan, may, estimate, budget, forecast, envisage, target, potential* or other similar words or phrases. Similarly, statements that describe VRL's or the BidCo Group's objectives, plans, goals or expectations, estimates of future costs, and expenditure are or may be forward looking statements.

The statements contained in this Scheme Booklet about the impact that Either Alternative Scheme may have on the results of VRL's performance, the expected advantages and potential disadvantages of Each Alternative Scheme are also forward looking statements.

These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results of VRL to be materially different from future results, performance or achievements expressed or implied by such statements. These statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which VRL will operate in the future, including anticipated costs and ability to achieve goals. Therefore forward looking statements and information should be construed in light of those limitations and undue reliance should not be placed on them.

None of VRL, the BidCo Group, VRC, their respective related entities, their respective directors, nor any other person gives any representation, assurance or guarantee that the occurrence of the results or events expressed or implied in any forward looking statements and information in this Scheme Booklet will actually occur.

The forward looking statements and information in this Scheme Booklet reflect views held only at the date of this Scheme Booklet.

Subject to any continuing obligations under law, VRL, VRC, the BidCo Group, their respective related entities, and their respective directors disclaim any obligation or undertaking to disseminate after the date of this Scheme Booklet any updates or revisions to any forward looking statements and information to reflect any change in expectations in relation to them or any change in the events, conditions or circumstances on which they are based.

Rounding of numerical information

Any discrepancies between totals in tables and sums of components contained in this Scheme Booklet and between those figures and figures referred to in other parts of this Scheme Booklet may be due to rounding. Except as otherwise stated, all rounded numbers have been rounded either to one decimal place or to the nearest whole number.

Privacy and personal information

VRL, VRC, members of the BidCo Group and the Share Registry will need to collect personal information to implement the Relevant Scheme. This information may include the name, contact details and security holding of VRL Shareholders, and the name of persons appointed by VRL Shareholders to act as proxy, attorney, or in the case of a VRL Shareholder who is a corporation, corporate representative at either or both of the Scheme Meetings.

The primary purpose of collecting this personal information is to assist VRL in the conduct of the Scheme Meetings and to enable the Relevant Scheme that is approved by VRL Shareholders and the Court to be implemented by VRL in the manner described in this Scheme Booklet. Without this information, VRL may be impeded in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the Share Registry, print and mail service providers, authorised securities brokers and to related entities of VRL and the parties to the Implementation Agreement.

VRL Shareholders have certain rights to access their personal information that has been collected. VRL Shareholders should contact VRL's company secretary in the first instance if they wish to request access to their personal information.

VRL Shareholders who appoint a named person to act as their proxy, attorney, or in the case of a VRL Shareholder who is a corporation, a corporate representative at either or both of the Scheme Meetings should ensure that they inform that person of the matters outlined above.

No internet site is part of this Scheme Booklet

VRL and BGH each maintain internet sites at https://villageroadshow.com.au/ and https://bghcapital.com respectively. Any references in this Scheme Booklet to these or other internet sites are for information purposes only and do not form part of this Scheme Booklet.

Entitlement to inspect share register

All persons are entitled to inspect and obtain a copy of VRL's share register under section 173 of the Corporations Act. If you are a VRL Shareholder this register will contain personal information about you.

References to time

All references to time in the Scheme Booklet are to the legal time in Melbourne, Victoria unless otherwise stated.

Date of Scheme Booklet

This Scheme Booklet is dated 12 October 2020.

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LETTER FROM THE CHAIRMAN OF THE INDEPENDENT BOARD COMMITTEE

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Dear VRL Shareholder,

I am pleased to provide you with this Scheme Booklet in relation to the proposal announced by VRL on 7 August 2020 under which VRG BidCo Pty Limited (**BidCo**) is making an offer to directly or indirectly acquire VRL. The offer is being made under two alternative but concurrently proposed schemes of arrangement between VRL and its Shareholders.

Background

As you would be aware, it has been an eventful 12 months for the VRL Group marked by some of the most significant developments in its history. On 19 December 2019, the VRL Group announced that it had received a conditional, non-binding and indicative proposal from Pacific Equity Partners Pty Ltd (**PEP**) to acquire the VRL Group. An Independent Committee of the VRL Board of Directors (**IBC**) was immediately established to assess the PEP proposal. On 24 January 2020, the VRL Group announced the receipt of a competing conditional, non-binding and indicative proposal from BGH.

The backdrop against which the IBC was required to assess these two competing indicative proposals changed dramatically with the onset in March 2020 of the COVID-19 pandemic in Australia. By 23 March 2020, the VRL Group's two main operating businesses (Theme Parks and Cinema Exhibition) were forced to close as a result of COVID-19 related Government directives. This unprecedented operating environment led to the VRL Group implementing cost reduction strategies to reduce the impact during business closure. The VRL Group was also able to secure additional funding from its lenders and the Queensland State Government. It is a credit to the management team and their ability to take decisive action during these challenging times to improve the VRL Group's future viability.

The IBC has conducted an extensive review of the options available to the Company to maximise Shareholder value. We have conducted this review cognisant of the challenging operating environment the Company finds itself in and the uncertain outlook it is presented with. Your Independent Directors unanimously believe that the Proposed Transaction now being presented to you is attractive and will realise significant value for all VRL Shareholders relative to all alternatives considered by the IBC, including the status quo. The IBC is also cognisant that since the original non-binding proposals were received from PEP in December 2019 and BGH in January 2020, not only had VRL's net debt position increased significantly due to the closures of its cinemas and theme parks, the expected forward cashflow profile for the VRL Group had also deteriorated significantly and it would take some time for the business to be cash generative once again.

Two alternative, concurrent schemes

The Proposed Transaction embodies two alternative and concurrent transaction structures for VRL Shareholders to vote on. It is important that Shareholders understand that although you should vote on Each Alternative Scheme, ultimately only one (if any) Scheme will be approved with a key condition of the Structure B Scheme being that the Structure A Scheme is not approved either by Shareholders or by the Court. BidCo and VRL agreed that two concurrent alternative schemes would be proposed to VRL Shareholders, with each scheme offering different Cash Consideration. The rationale for the Proposed Transaction being structured in this manner is set out below.

The Structure A Scheme provides VRL Shareholders with the opportunity to receive the higher Cash Consideration on offer from BidCo but is more vulnerable to potential opposition from one or more opposing Shareholders who may not be representative of the broader VRL share register. That is because VRC and the VRC Principals collectively own approximately 39.9% of VRL but they will be excluded from voting on the Structure A Scheme. The Structure B Scheme seeks to ensure that VRL Shareholders do not forego the opportunity to realise lower, but still attractive, Cash Consideration if any such minority opposition emerges.

BidCo is offering a higher price under the Structure A Scheme than under the Structure B Scheme due to a number of cost and structural outcomes identified during the negotiations leading up to the execution of the Implementation Agreement in August 2020.

It is expected that implementing Structure B, as well as the Restructure Event (if executed), would result in additional costs being incurred by the BidCo Group relative to implementing Structure A. To take into account these additional costs to the BidCo Group, BidCo is offering lower, but still attractive, Cash Consideration under Structure B relative to Structure A.

Further, relative to the Structure B Scheme, the Structure A Scheme delivers greater certainty with respect to the register and Board composition. Each Alternative Scheme results in shareholders in the VRL Group having distinct rights following implementation and can result in differing ownership outcomes. For instance, under the Structure A Scheme, BGH would know exactly how much of the HoldCo register will be held by the VRC Principals. Under the Structure B Scheme, the percentage of VRL Shares owned by VRC and the VRC Principals can, in common with all other shareholders, fluctuate within a wide range. The differing ownership outcomes between Each Alternative Scheme can in turn impact, for example, the relative Board compositions of HoldCo (in the case of the Structure A Scheme) and VRL (in the case of the Structure B Scheme) and HoldCo's or BidCo's (as applicable) capacity to raise capital following implementation.

The Structure A Scheme also achieves the immediate disaggregation of the VRC Group's shareholding without the delay, distraction and additional costs of the potential Restructure Event following the implementation of the Structure B Scheme. These advantages are beneficial to the BidCo Group, and indirectly BGH and VRL Shareholders that receive HoldCo Shares, which further supports the higher Cash Consideration under the Structure A Scheme than under the Structure B Scheme.

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In recognition of the costs and time involved in pursuing a potential control transaction and given the risks presented by the significantly reduced number of Shares that may be voted on the Structure A Scheme, BidCo and VRL determined that it was appropriate to pursue a transaction which involved the Structure B Scheme as an alternative to its preferred Structure A Scheme.

The Structure A Scheme is the Independent Directors' preferred transaction structure as it offers the higher Cash Consideration alternative. Nevertheless, the Independent Directors do not want VRL Shareholders to forego the opportunity to realise value from the Structure B Scheme if the Structure A Scheme does not receive the requisite Shareholder approval or Court approval. The Independent Directors believe that, other than the Structure A Scheme and in the absence of a superior proposal, the Structure B Scheme is in the best interests of VRL Shareholders.

Please refer to Section 2.5 for further elaboration on the rationale for the Proposed Transaction being structured as two concurrent alternatives schemes.

Overview of Structure A Scheme

Under the first of the two alternative but concurrent schemes, the Structure A Scheme, you will be entitled to receive base Cash Consideration of $2.20 for each VRL Share that you own.[1]

The base Cash Consideration of $2.20 per Share is subject to a potential uplift of additional Cash Consideration of $0.12 per Share if the Theme Parks Uplift Event occurs.

The requirements for the Theme Parks Uplift Event as it applies to the Structure A Scheme are set out in Section 7.3. That Section contains a table setting out the two different possible outcomes between $2.20 per Share and $2.32 per Share for the Structure A Cash Consideration depending on whether the Theme Parks Uplift Event occurs. As there is no certainty as to whether the Theme Parks Uplift Event will occur by the relevant testing date, the IBC has assessed the Structure A Scheme principally on the basis of the adequacy of the base Cash Consideration of $2.20 per Share.

For completeness, the Implementation Agreement also provided for two other uplifts, the first uplift being an additional Cash Consideration of $0.08 per Share if a majority of the Cinemas business locations (representing 75% of Cinemas business revenue in FY19) were open to the public for a period of 5 Business Days ending at 4.00pm on the day that is 11 days prior to the Proxy Cut-Off Date and there were no significant changes to the expected movie slate for the remainder of FY21 (**Cinema Uplift Event**). Further to VRL's announcement of 25 September 2020, the IBC considers that it is highly improbable that the requirements for the Cinema Uplift Event will be met.

The second uplift relates to an additional Cash Consideration of $0.05 per Share, if there were no border control measures imposed by the Queensland Government prohibiting any person from entering Queensland from New South Wales on 15 October 2020 and prohibiting any person from entering Queensland from Victoria on 31 October 2020 (**Border Uplift Event**). Further to the announcement by the Queensland State Government on 2 October 2020, border control measures prohibiting any person from entering Queensland from New South Wales will be in place until at least 1 November 2020, after the upcoming Queensland State election. On 7 October 2020, VRL, VRC and BidCo agreed to amend the Implementation Agreement so that the relevant date for New South Wales border control measures would be 1 November 2020 and the relevant date for Victoria border control measures would be 15 November 2020. Despite this, the IBC considers that it is unlikely that the requirements for the Border Uplift Event will be met, particularly given the current COVID-19 restrictions in place in Victoria. For further details, please refer to Section 2.7(c).

The base Cash Consideration of $2.20 per Share under the Structure A Scheme represents:

- a 25% premium to VRL's closing price of A$1.765 on Friday, 15 May 2020 (being the last day before the Company released the ASX announcement entitled "Village Roadshow Enters Into Exclusive Discussions with BGH");[2]
- a 51% premium to the A$1.460 VWAP from 19 March 2020 (being the day on which the Company released the ASX announcement entitled "Update on COVID-19 Response") to the end of trading Friday, 15 May 2020;[2] and
- an implied equity value of $430 million and enterprise value of approximately $708 million.[3]

Your Independent Directors unanimously recommend that you vote in favour of the Structure A Scheme, in the absence of a Superior Proposal. If the Structure A Scheme is implemented you will receive the Structure A Scheme Consideration in cash. Alternatively, eligible VRL Shareholders may make an Election to receive unlisted shares in the BGH controlled entity (**HoldCo Shares**) which will own the VRL Group after implementation of the Structure A Scheme. You may elect to receive HoldCo Shares for either 100% or 50% of your VRL shareholding, with the balance in cash. Electing to receive HoldCo Shares carries additional risks, including:

- you will be subject to a different regulatory regime compared to your current investment in VRL;
- there will be no active market or mechanism for achieving liquidity for HoldCo Shares and there will be restrictions on transferring them;
- you will have fewer rights as a minority shareholder in the privatised VRL Group when compared to your current investment in the standalone VRL Group listed on the ASX; and
- you may be subject to dilution of your interests in the privatised VRL Group over time under certain circumstances.

1 Unless you make a valid Election.
2 Recognising that prior to this date VRL Shares were not trading on an undisturbed basis as there was public knowledge of two separate non-binding, indicative private equity offers for VRL.
3 Implied equity value of $430 million calculated as base Cash Consideration of $2.20 per Share multiplied by 195,300,579 Shares on issue. Enterprise value includes VRL net debt of approximately $278 million as at 30 June 2020.

The issue of HoldCo Shares to Non-VRC shareholders is subject to a minimum threshold of approximately 5% of all VRL Shares electing to receive HoldCo Shares and a cap of approximately 15% of all VRL Shares. If the number of VRL Shares making an Election for HoldCo Shares exceeds the cap, electing Shareholders will be scaled back on a pro rata basis and receive Cash Consideration to the extent of their scaled back Election.

The Structure A Scheme can only proceed if, among other conditions, the requisite majorities of VRL Shareholders approve it. The requisite majorities for the Structure A Scheme are more than 50% of Non-VRC Shareholders by number present and voting and at least 75% of votes cast by Non-VRC Shareholders at the meeting to be in favour of the Structure A Scheme. The Structure A Scheme also requires Court approval.

Overview of Structure B Scheme

Under the second of the two alternative but concurrent schemes, the Structure B Scheme, you will be entitled to receive base Cash Consideration of $2.10 for each VRL Share that you own.[4]

The base Cash Consideration of $2.10 per Share is subject to a potential uplift of additional Cash Consideration of $0.12 per Share if the Theme Parks Uplift Event occurs.

The requirements for the Theme Parks Uplift Event as it applies to the Structure B Scheme are set out in Section 8.3. That Section contains a table setting out the two different possible outcomes between $2.10 per Share and $2.22 per Share for the Structure B Cash Consideration depending on whether the Theme Parks Uplift Event occurs. As there is no certainty as to whether the Theme Parks Uplift Event will occur by the relevant testing date, the IBC has assessed the Structure B Scheme principally on the basis of the adequacy of the base Cash Consideration of $2.10 per Share.

The base Cash Consideration of $2.10 per Share under the Structure B Scheme represents:

- a 19% premium to VRL's closing price of A$1.765 on Friday, 15 May 2020 (being the last day before the Company released the ASX announcement entitled "Village Roadshow Enters Into Exclusive Discussions with BGH");[5]
- a 44% premium to the A$1.460 VWAP from 19 March 2020 (being the day on which the Company released the ASX announcement entitled "Update on COVID-19 Response") to the end of trading Friday, 15 May 2020;[5] and
- an implied equity value of $410 million and enterprise value of approximately $688 million.[6]

Your Independent Directors unanimously recommend that you vote in favour of the Structure B Scheme, in the absence of a Superior Proposal. If the Structure B Scheme is implemented you will receive the Scheme Consideration in cash. Alternatively, VRL Shareholders may make an Election to retain all of the VRL Shares they hold (subject to scale back) and become Retaining Shareholders, noting that in doing so they would become party to and agree to the terms of the VRL Shareholders Deed (see Section 8.4). Under the Structure B Scheme VRL Shareholders cannot make an Election to retain some but not all of their VRL Shares.

The VRL Shareholders' Deed contains provisions under which BidCo or another shareholder who individually holds or collectively with other shareholders hold 7.5% of VRL Shares after implementation of the Structure B Scheme can initiate a Restructure Event. Under the Restructure Event, a Retaining Shareholder will be required to sell their retained VRL Shares in exchange for HoldCo Shares or a combination of cash and HoldCo Shares (or just cash in certain circumstances where it is considered impractical to offer HoldCo Shares). The cash consideration will be the Structure B Cash Consideration less $0.10 per Retained Share (see Sections 1.3 and 8.2(e) for further details). Further, the VRL Group will be delisted after implementation of the Structure B Scheme.

Electing to retain your VRL Shares in a delisted VRL Group carries additional risks, including:

- you will be subject to a different regulatory regime compared to your current listed investment in VRL;
- there will be no active market for achieving liquidity for the Retained Shares and there will be restrictions on transferring them;
- although the Restructure Event provides a potential exit opportunity for Retained Shareholders, they will only be able to dispose of a maximum of one half of their Retained Shares for the Structure B Cash Consideration less $0.10 with the remainder to be exchanged for HoldCo Shares. There is also no guarantee that the Restructure Event will occur;
- you will have fewer rights as a minority shareholder in the privatised VRL Group when compared to your current investment in the standalone VRL Group listed on the ASX; and
- you may be subject to dilution of your interests in VRL over time under certain circumstances.

The number of Retained Shares under the Structure B Scheme is subject to a cap of approximately 50% of all VRL Shares, with a pro rata scale-back applying if this cap is exceeded. The VRC Group and the VRC Principals will be subject to the same scale-back provisions as all other VRL Shareholders.

Please refer to Section 2.6 for further elaboration on the Restructure Event including the rationale for the Restructure Event and why there is a price differential for the cash consideration under the Restructure Event.

4 Unless you make a valid Election.
5 Recognising that prior to this date VRL Shares were not trading on an undisturbed basis as there was public knowledge of two separate non-binding, indicative private equity offers for VRL.
6 Implied equity value of $410 million calculated as base Cash Consideration of $2.10 per share multiplied by 195,300,579 Shares on issue. Enterprise value includes VRL net debt of approximately $278 million as at 30 June 2020.

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The Structure B Scheme can only proceed if, among other conditions, the requisite majorities of VRL Shareholders approve it and the Structure A Scheme is not approved. The requisite majorities for the Structure B Scheme are more than 50% of VRL Shareholders by number present and voting and at least 75% of votes cast by Shareholders at the meeting to be in favour of the Structure B Scheme. The Structure B Scheme also requires Court approval.

Limited conditions

Each Alternative Scheme is subject to limited conditions, including no change of IBC recommendation and no Material Adverse Change. Each Alternative Scheme is not subject to the BidCo Group arranging financing or due diligence conditions.

IBC voting recommendation and intentions

Your Independent Directors unanimously recommend that you vote in favour of Each Alternative Scheme, in the absence of a Superior Proposal.

This recommendation is made principally on the basis of the quantum of the base Cash Consideration under Each Alternative Scheme, and assuming no uplift applies to that base Cash Consideration under Either Alternative Scheme.

Each of your Independent Directors intends to vote all VRL Shares held or controlled by them, in favour of Each Alternative Scheme, in the absence of a Superior Proposal. As at the date of this Scheme Booklet, your Independent Directors hold or control in aggregate approximately 0.31% of all VRL Shares on issue.

In forming their unanimous recommendation your Independent Directors have carefully considered the conditions, expected advantages, potential disadvantages and risks of Each Alternative Scheme, together with the other options open to the VRL Group. These matters are described in detail in Section 2 but include:

- that Each Alternative Scheme provides shareholders with an attractive premium including having regard to the uncertain financial and operational impact of COVID-19 and the certainty of cash consideration against a very uncertain operating environment.
- that VRL will require a significant amount of equity capital if Either Alternative Scheme does not proceed and no Superior Proposal emerges. In securing additional funding of $70 million from its existing lenders and the Queensland Treasury Corporation, the VRL Group has given an undertaking to raise a minimum of $35 million through new shareholder equity or equity like instruments, as announced to the market on 6 August 2020. However, the Independent Directors believe that a successful equity raising would ultimately have to solve for the long term capital structure of the VRL Group as a public company and therefore the quantum of any equity raising could potentially be substantially higher than $35 million.
- the specific risks associated with VRL's businesses, including those related to COVID-19 and future pandemics.

Your Independent Directors consider that the expected advantages of Each Alternative Scheme outweigh its potential disadvantages and risks.

Each Alternative Scheme provides choice and flexibility for VRL Shareholders: it strikes an appropriate balance between, on the one hand, those Shareholders who are seeking liquidity at an attractive market price in the face of a very uncertain operating environment for VRL and, on the other, those Shareholders who wish to remain invested in VRL's business for a further period.

No IBC recommendation as to whether you should elect HoldCo Shares under Structure A or retain all of your VRL Shares under Structure B

Your Independent Directors make no recommendation as to whether you should:

- make an Election under the Structure A Scheme to receive some or all of your Scheme Consideration in the form of HoldCo Shares; or
- make an Election under the Structure B Scheme to retain all of your VRL Shares.

This is due to the speculative nature of HoldCo Shares (for the Structure A Scheme) and the speculative nature of retaining all your VRL Shares in a privatised VRL (for the Structure B Scheme). Whether either Election is an appropriate choice will depend significantly on the individual circumstances, financial situation, taxation position, investment objectives and risk profile of each VRL Shareholder.

Your Independent Directors note that there are significant risks involved in an investment in HoldCo Shares (under the Structure A Scheme) or retaining all of your VRL Shares in a privatised VRL (under the Structure B Scheme). Please see Section 9 for more information in relation to these risks.

VRC Related Directors' voting recommendation and intentions

Mr Robert Kirby, the Executive Chairman of VRL, Mr Graham Burke, Non-Executive Director, and Mr John Kirby, Non-Executive Director, each have a material personal interest in the outcome of the Structure A Scheme in their separate capacities as a director and major shareholder of VRC, being the acquirer of all of the VRL Shares (other than those held by VRC and the VRC Principals) under the Structure A Scheme. Accordingly, each of Messrs Robert Kirby, Graham Burke and John Kirby do not desire to make and do not consider themselves justified in making a voting recommendation in relation to the Structure A Scheme.

In relation to the Structure B Scheme, for the same reasons as articulated by the Independent Directors in Section 2.7, each VRC Related Director unanimously believes that:

- the expected benefits of the Structure B Scheme outweigh its potential disadvantages and risks; and
- the Structure B Scheme is in the best interests of VRL Shareholders, in the absence of a Superior Proposal.

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Accordingly, each VRC Related Director recommends that VRL Shareholders vote in favour of the Structure B Scheme, in the absence of a Superior Proposal.

Subject to that same qualification, each VRC Related Director intends to vote all VRL Shares they hold or control in favour of the Structure B Scheme. As at the date of this Scheme Booklet, the VRC Related Directors hold or control in aggregate approximately 39.91% of all VRL Shares on issue.

VRL has determined that the votes cast in favour of the Structure B Scheme by VRC, each VRC Related Director and VRL related parties will be 'tagged' for the purposes of identification at the Structure B Scheme Meeting so that they can be drawn to the Court's attention at the Second Court Hearing. See Section 2.4 for further details.

In relation to Messrs Graham Burke and Robert Kirby, VRL Shareholders should have regard to the post implementation board and executive arrangements that will apply in relation to Messrs Graham Burke and Robert Kirby as outlined in Section 12.8 when considering the voting recommendations of Messrs Graham Burke and Robert Kirby. In relation to Elections, VRC has informed the Independent Directors that it intends to make an Election under the Structure B Scheme to retain all of its VRL Shares. The VRC Principals have not yet informed the Independent Directors of their intentions under the Structure B Scheme with respect to the VRL Shares they hold (other than through VRC).

Each VRC Related Director makes no recommendation as to whether you should:

- make an Election under the Structure A Scheme to receive 100% or 50% of your Scheme Consideration in the form of HoldCo Shares; or
- make an Election under the Structure B Scheme to retain all of your VRL Shares,

for the same reasons as articulated by the Independent Directors in Section 2.3.

Independent Expert

Your Independent Directors' unanimous recommendation of Each Alternative Scheme is supported by the conclusion of Grant Samuel & Associates Pty Limited, the Independent Expert engaged by the IBC to opine on whether the Scheme is in the best interests of VRL Shareholders. **The Independent Expert has concluded that Each Alternative Scheme is fair and reasonable and that Each Alternative Scheme is in the best interests of VRL Shareholders, in the absence of a superior proposal.**

The Independent Expert's Report is included in Appendix 1. I encourage you to read it before voting on Each Alternative Scheme.

Virtual (online only) Scheme Meetings

Your vote is important and on behalf of the IBC, I encourage you to vote on Each Alternative Scheme.

VRL is closely monitoring the impact of the global COVID-19 pandemic and is following guidance from the Federal and State governments. In order to minimise health risks created by the COVID-19 pandemic, and in accordance with Federal and State government directions and restrictions with respect to non-essential gatherings of people and the Treasurer's determination regarding electronic shareholder meetings, there will not be a physical meeting where Shareholders and their proxies, attorneys or corporate representatives can attend in person. Instead, the Scheme Meetings will be virtual (online only). The first meeting, being the Structure A Scheme Meeting, will commence at 11.00am (Melbourne time) on Thursday, 26 November 2020. The second meeting, being the Structure B Scheme Meeting, will commence at 12.00 noon (Melbourne time) on Thursday, 26 November 2020, or as soon as reasonably practicable after the Structure A Scheme Meeting has concluded or been adjourned (whichever time is later).

You may vote and ask questions at each Scheme Meeting by logging in online at the following link: https://web.lumiagm.com and using the following Meeting IDs: 372-984-605 (for the Structure A Scheme Meeting) and 313-617-826 (for the Structure B Scheme Meeting). You may also choose to appoint a proxy, attorney or, in the case of a VRL Shareholder or proxy who is a corporation, a corporate representative to attend the virtual Scheme Meetings and to vote on your behalf.

For full details on how to participate in the virtual Scheme Meetings, please see Section 4.

Further information

I encourage you to read this Scheme Booklet which contains important information in relation to Each Alternative Scheme. If you have any questions in relation to Each Alternative Scheme, please call the VRL Shareholder Information Line on 1300 163 094 (within Australia) or +61 3 9415 4151 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time), or contact your legal, financial, taxation or other professional adviser.

On behalf of the IBC, I recommend Each Alternative Scheme to you and would like to take this opportunity once again to thank you for your support of VRL.

Yours sincerely

Peter Tonagh
Chairman, Independent Board Committee

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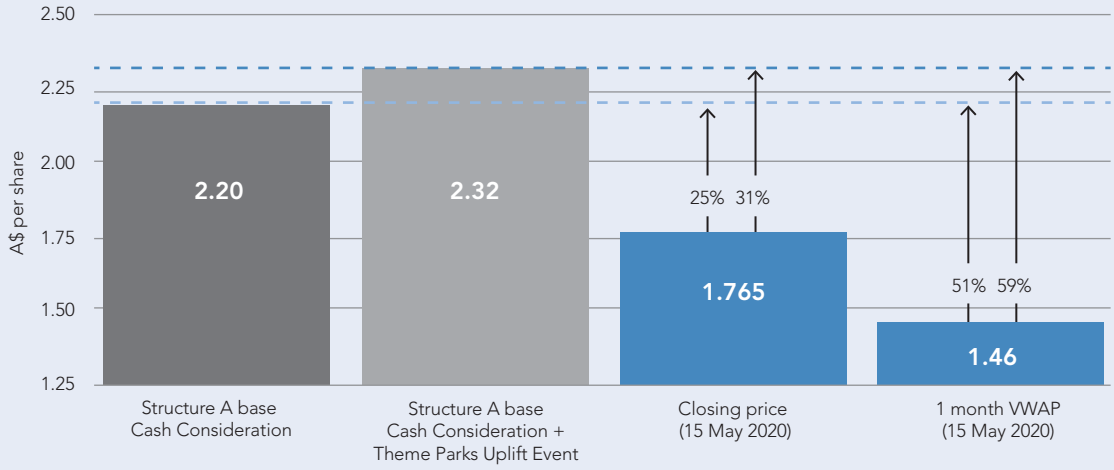
KEY REASONS TO VOTE IN FAVOUR OF EACH ALTERNATIVE SCHEME

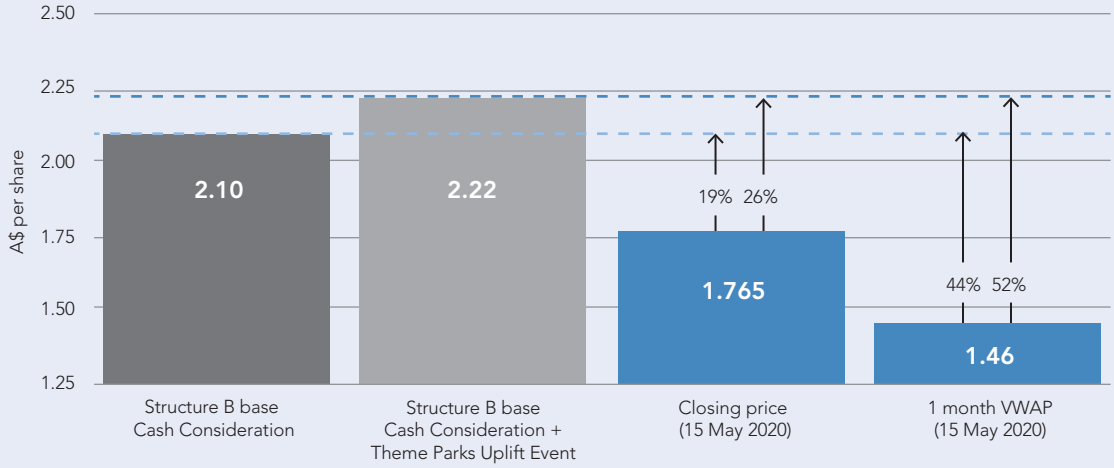
Your Independent Directors unanimously recommend that you vote in favour of Each Alternative Scheme, in the absence of a Superior Proposal, for the reasons outlined below. Section 2.7 provides further detail on each of these reasons:

The base Cash Consideration of $2.20 per Share (under the Structure A Scheme) or $2.10 per Share (under the Structure B Scheme) represents an attractive premium including having regard to the financial and operational impact of COVID-19

Implied potential offer premia of at least c.25% under the Structure A Scheme:



Implied potential offer premia of at least c.19% under the Structure B Scheme:



The base Cash Consideration of $2.20 per Share (under the Structure A Scheme) or $2.10 per Share (under the Structure B Scheme) provides you with certainty of value for your VRL Shares and a high degree of certainty on timing for receipt of the Cash Consideration, against an uncertain operating environment

There is scope for the base Cash Consideration under Each Alternative Scheme to be increased by $0.12 cash per share if the Theme Parks Uplift Event occurs. If the Theme Parks Uplift Event does not occur, it will be because Government regulations relating to COVID-19 are continuing to impact the operation of VRL's businesses through theme park closures.

KEY REASONS TO VOTE IN FAVOUR OF EACH ALTERNATIVE SCHEME *continued*

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- The Cash Consideration under Each Alternative Scheme provides VRL Shareholders with access to full liquidity in circumstances where some VRL Shareholders presently face limited opportunities to achieve full liquidity in respect of their VRL Shares
- The ability to elect to receive HoldCo Shares (under the Structure A Scheme) or to retain all of your VRL Shares (under the Structure B Scheme) allows you to maintain (subject to satisfaction of applicable pre-conditions) an indirect or direct interest in the privatised VRL, subject to the risks of doing so
- The Independent Expert has concluded that Each Alternative Scheme is 'fair and reasonable' and therefore in the best interests of VRL Shareholders
- No Superior Proposal has emerged as at the date of this Scheme Booklet, despite VRL having undertaken an extensive process to maximise shareholder value and having evaluated numerous alternatives and proposals
- If Either Alternative Scheme does not proceed and no Superior Proposal emerges VRL's share price may fall and VRL will require a significant amount of equity capital in the near term
- If Either Alternative Scheme does not proceed, and no Superior Proposal emerges, VRL Shareholders will continue to be subject to the specific risks associated with VRL's business including risks relating to COVID-19 and general market risks
- No transaction costs on the disposal of your VRL Shares under Either Alternative Scheme

POTENTIAL REASONS TO VOTE AGAINST EACH ALTERNATIVE SCHEME

Set out below are potential reasons to vote against Each Alternative Scheme. Section 2.8 provides further detail on each of these reasons:

- You may disagree with the Independent Directors' recommendation and the Independent Expert's conclusion and believe that neither the Structure A Scheme nor the Structure B Scheme is in your best interests
- Each Alternative Scheme carries risks that you may consider unacceptable
- You may believe that there is potential for a Superior Proposal to be made in the foreseeable future (noting that no Superior Proposal from another party has been received as at the date of this Scheme Booklet)
- You will lose the ability to participate in any potential upside that may result from maintaining your investment in VRL (unless you elect to receive HoldCo Shares under the Structure A Scheme or elect to retain all of your VRL Shares under the Structure B Scheme and the pre-conditions to either election are satisfied)
- If Either Alternative Scheme proceeds, this precludes the possibility of receiving the benefit of any future, potentially more favourable, proposal for your VRL Shares
- The taxation implications of Each Alternative Scheme may not suit your financial position

YOUR INDEPENDENT DIRECTORS **UNANIMOUSLY RECOMMEND** THAT YOU VOTE **IN FAVOUR OF EACH ALTERNATIVE SCHEME**, IN THE ABSENCE OF A SUPERIOR PROPOSAL

You should read this Scheme Booklet in full before making any decision on Each Alternative Scheme. In particular, you should refer to Section 2 for guidance on the advantages and disadvantages of Each Alternative Scheme. This Scheme Booklet does not take into account the financial situation, investment objectives and particular needs of any VRL Shareholder. You should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

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POTENTIAL REASONS TO MAKE AN ELECTION (UNDER THE STRUCTURE A SCHEME AND/OR THE STRUCTURE B SCHEME)

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You might wish to retain an indirect investment that has exposure to VRL (in the case of the Structure A Scheme) or retain your current direct investment in VRL (in the case of the Structure B Scheme)

If you make a valid Election under the Structure A Scheme, you will receive unlisted shares in the BGH controlled entity (HoldCo Shares) which will own the VRL Group after implementation of the Structure A Scheme, giving you an ongoing indirect financial exposure to the VRL Group. You will also become a party to the HoldCo Shareholders' Deed.

Similarly, if you make a valid Election under the Structure B Scheme to retain all of your VRL Shares, you will retain your current direct financial exposure to the VRL Group and you will become a party to the VRL Shareholders' Deed.

BidCo has stated that it intends for VRL Group to be delisted from ASX following the implementation of Either Alternative Scheme (see Sections 6.6 and 6.7). While you will retain an ownership interest in the VRL Group by making an Election under Either Alternative Scheme, your exposure will have different risks and a different investment and financial profile than your existing investment in the VRL Group as an ASX listed company.

Flexibility to choose the form of Scheme Consideration that best suits you

The certainty and immediate value for all of your VRL Shares provided by either the Structure A Cash Consideration or Structure B Cash Consideration may not be a key consideration for you when determining whether to vote in favour of or against Each Alternative Scheme.

By making a valid Election under Each Alternative Scheme, VRL Shareholders have the ability to choose the form of Scheme Consideration that best suits their personal legal, financial and taxation objectives, including in respect of the:

- Structure A Scheme, to receive either:
  - in relation to 50% of their Structure A Scheme Shares, Scheme Consideration in the form of HoldCo Shares and in relation to the remainder of their Structure A Scheme Shares, Scheme Consideration in the form of cash (such Election, **Partial Election**); or
  - in relation to 100% of their Structure A Scheme Shares, Scheme Consideration in the form of HoldCo Shares (such Election, **Maximum Election**); or
- Structure B Scheme, to retain 100% of their Structure B Scheme Shares and not transfer those shares to BidCo under the Structure B Scheme.

Elections under the Structure A Scheme are subject to valid Elections being received in excess of the Structure A Share Floor and also subject to scale back if valid Elections are received in excess of the Structure A Share Cap.

Elections under the Structure B Scheme are subject to scale back if valid Elections are received in excess of the Retention Cap.

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Subject to the HoldCo Shareholders' Deed (for the Structure A Scheme) or the VRL Shareholders Deed (for the Structure B Scheme), you may be entitled to distributions

If you make a valid Election under the Structure A Scheme, you will receive HoldCo Shares and you will become a party to the HoldCo Shareholders' Deed. Similarly, if you make a valid Election under the Structure B Scheme to retain all of your VRL Shares, you will become party to the VRL Shareholders' Deed.

By receiving HoldCo Shares or retaining all of your VRL Shares, you may be entitled to distributions declared by the VRL Group, subject to the HoldCo Shareholders' Deed under the Structure A Scheme or the VRL Shareholders' Deed under the Structure B Scheme.

Under both the HoldCo Shareholders' Deed and the VRL Shareholders' Deed, no dividends will be payable for the first two years following implementation of Either Alternative Scheme, except with the approval of the BGH Directors. After that initial two year period, the payment of dividends is subject to a number of conditions as outlined in Sections 7.4(b) and 8.4 which summarise the rights attaching to HoldCo Shares under the Structure A Scheme and the rights attaching to the Retained Shares under the Structure B Scheme, respectively.

You may benefit from a future exit by a BidCo Group Member

You may be in a position to participate in any future exit by a BidCo Group Member of its investment in the VRL Group if you hold HoldCo Shares or Retained Shares at the time of that exit.

If the future value of the VRL Group at the time of exit is higher than the value of the VRL Group today, you may be able to participate in the benefit of the exit at that higher value. In those circumstances, you may realise greater value over the longer term through making an Election instead of receiving either the Structure A Cash Consideration or the Structure B Cash Consideration for all your VRL Shares.

However, there is no assurance that the future value of HoldCo Shares or Retained Shares will be equal to or higher than the value of the Structure A Cash Consideration or the Structure B Cash Consideration. Eligible VRL Shareholders who make an Election will also become parties to the HoldCo Shareholders' Deed under the Structure A Scheme or the VRL Shareholders' Deed under the Structure B Scheme. You should carefully read Sections 6, 7, 8, 9.2, 9.3, 9.4 and 10 and obtain appropriate legal, financial, taxation or other professional advice before making an Election under Each Alternative Scheme or Either Alternative Scheme.

As at the date of this Scheme Booklet, BGH has not determined the timing of any potential exit or the exit mechanism. Any future value of the VRL Group will only be known at the time of any future exit. Please refer to Sections 6.6 and 6.7 for further details.

POTENTIAL REASONS NOT TO MAKE ANY ELECTION

The current and future value of HoldCo Shares (under the Structure A Scheme) or VRL Shares (under the Structure B Scheme) may be materially less than the value of the Structure A Cash Consideration (under the Structure A Scheme) or Structure B Cash Consideration (under the Structure B Scheme)

The Independent Expert has identified a number of factors that VRL Shareholders should consider before making any Election under Either Alternative Scheme. In this regard, the Independent Expert has stated: *"The underlying value of Village (and the underlying value of shares in HoldCo or a delisted Village) will vary over time depending upon multiple factors, including the performance of the Village businesses. It is not possible to estimate the realisable value of HoldCo or Village shares, either in the short term or ultimately"*.[7]

Please refer to the Independent Expert's Report in Appendix 1 and the views expressed in that report in relation to making an Election under Each Alternative Scheme or Either Alternative Scheme.

There are restrictions on transferring HoldCo Shares (under the Structure A Shareholders' Deed) or VRL Shares (under the Structure B Shareholders' Deed)

HoldCo is not publicly listed on a financial market and there will be no active market for the sale of HoldCo Shares under the Structure A Scheme. Similarly, BidCo has indicated that it intends for VRL Group to be delisted from ASX following implementation of the Structure B Scheme. Consequently, there will be no active market for the sale of Retained Shares under the Structure B Scheme.

If Either Alternative Scheme is implemented, no disposal or transfer of HoldCo Shares under the Structure A Scheme or Retained Shares under the Structure B Scheme will be permitted except in very limited circumstances as set out in the HoldCo Shareholders' Deed and the VRL Shareholders' Deed respectively.

There is no guarantee that there will be dividends on HoldCo Shares or VRL Shares for the foreseeable future

By making a valid Election and receiving HoldCo Shares under the Structure A Scheme or retaining all of your VRL Shares under the Structure B Scheme, you may be entitled to distributions declared by the VRL Group.

Under the HoldCo Shareholders' Deed for the Structure A Scheme or the VRL Shareholders' Deed for the Structure B Scheme, no dividends will be payable for the first two years following completion of the Relevant Scheme, except with the approval of the BGH Directors.

After that initial two year period, there is no guarantee that there will be dividends paid on HoldCo Shares or Retained Shares.

The payment of dividends following the initial two year period is subject to a number of conditions outlined in Sections 7.4(b) and 8.4 which summarises the rights attaching to HoldCo Shares under the Structure A Scheme and the rights attaching to the Retained Shares under the Structure B Scheme.

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7 Page 74 of the Independent Expert's Report.

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There are significant risks associated with holding HoldCo Shares (under the Structure A Scheme) or VRL Shares (under the Structure B Scheme)

VRL Shareholders who receive HoldCo Shares as some or all of their Structure A Scheme Consideration will become parties to the HoldCo Shareholders' Deed. This will occur by force of the Structure A Scheme, without the need for any action on their part.

Similarly, VRL Shareholders who make an Election under the Structure B Scheme to retain all of their VRL Shares will, if that Scheme is implemented, become parties to the VRL Shareholders' Deed. This will occur by force of the Structure B Scheme, without the need for any action on their part.

You should carefully consider Sections 7.4(b) and 8.4 which set out the rights and liabilities that apply to the holders of HoldCo Shares and Retained Shares respectively. In particular, you should consider the risks associated with an investment in HoldCo (or an unlisted VRL Group following implementation of the Structure B Scheme) as set out in Section 9.4, specifically:

- you will be subject to a different regulatory regime when compared to your current investment in the VRL Group;
- you will receive less information about the VRL Group than you currently receive;
- your investment in HoldCo (or an unlisted VRL Group if you hold Retained Shares) will be illiquid given there will be no active market for the sale and purchase of HoldCo Shares or Retained Shares and you will be subject to the restrictions on transfer under the HoldCo Shareholders' Deed under the Structure A Scheme or the VRL Shareholders' Deed under the Structure B Scheme;
- you will represent a minority of the shareholders in HoldCo and VRL, respectively. In addition, you will have very limited voting rights or ability to influence the decision of the board of HoldCo or VRL (as applicable);
- you will be subject to the HoldCo Shareholders' Deed in respect of your HoldCo Shares under the Structure A Scheme or the VRL Shareholders' Deed in respect of your Retained Shares under the Structure B Scheme, including in either case significant disposal restrictions, drag along rights, compulsory transfer provisions, provisions which permit the issue of new HoldCo securities or new VRL Shares that may dilute your interest in the VRL Group's business, and obligations to participate in and facilitate any future asset sale, trade sale or IPO of the VRL Group; and
- in relation to dilution as a result of new HoldCo Share or Retained Share issuances, you should note in particular that:
  - under the Structure A Scheme, VRL Shareholders who Elect to receive HoldCo Shares (other than the VRC Group and its related entities) will not have a pre-emptive right to participate in any new equity raising on a pro rata basis (refer to Section 7.4(b)); and
  - under the Structure B Scheme, VRL Shareholders who Elect to retain Structure B Scheme Shares will not have a pre-emptive right to participate in any new equity raising on a pro rata basis if their holding represents less than or equal to 5% of VRL Group's shares at the time of the issuance (refer to Section 8.4).

You will be subject to other provisions in the HoldCo Shareholders' Deed under the Structure A Scheme or the VRL Shareholders' Deed under the Structure B Scheme, the effect of which may result in an outcome that is not aligned with your interests or expectations.

POTENTIAL REASONS NOT TO MAKE ANY ELECTION *continued*

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There is no assurance that you will be able to exit your investment on time, at all, or at a price that you may expect

Your HoldCo Shares or Retained Shares will be subject to significant disposal restrictions as part of the HoldCo Shareholders' Deed under the Structure A Scheme or the VRL Shareholders' Deed under the Structure B Scheme. These restrictions may impede your ability to exit your investment in the VRL Group in the future either at a time that aligns with your personal legal, financial and taxation obligations or at all.

As part of the VRL Shareholders' Deed under the Structure B Scheme, a follow on acquisition of Retained Shares may be conferred following implementation of the Structure B Scheme. This will involve you exchanging your VRL Shares for either HoldCo Shares or cash for a maximum of 50% of your VRL Shares and the balance for HoldCo Shares. This is referred to as a Restructure Event and is described in further detail in Section 8.2(e)). Whilst this provides a potential exit opportunity for Retained Shareholders, you should note that Retained Shareholders will only be able to dispose of a maximum of 50%of their Retained Shares for the Structure B Cash Consideration less $0.10 with the remainder to be exchanged for HoldCo Shares. There is also no guarantee that a Restructure Event will occur.

In addition, if a Restructure Event occurs, your ability to receive HoldCo Shares and therefore remain invested in the VRL business may be impacted if you are an overseas shareholder or where your circumstances mean that HoldCo would be required to issue a disclosure document (such as a prospectus) to you. In addition, the taxation implications of a Restructure Event may not suit your financial position. Please refer to Section 8.2(e) for further details on the Restructure Event. The future value of the VRL Group business at the time of disposal may be lower than the value of the VRL Group business today. In these circumstances, you may realise less value over the longer term through making an Election rather than receiving either the Structure A Cash Consideration or the Structure B Cash Consideration.

As at the date of this Scheme Booklet, BGH has not determined the timing of any potential sale or the exit mechanism. Any future value of the VRL Group will only be known at the time of any future sale.

Small holdings may be subject to compulsory acquisition after 12 months

After the first anniversary of the Implementation Date, the HoldCo Board under the Structure A Scheme or the VRL Board under the Structure B Scheme may serve a notice requiring any VRL Shareholder (other than VRC and the VRC Principals) holding a parcel of HoldCo Shares under the Structure A Scheme (**HoldCo Small Shareholder**) or Retained Shares under the Structure B Scheme (**VRL Small Shareholder**) which had an aggregate issue price of $10,000 or less at the time of issue to transfer their HoldCo Shares under the Structure A Scheme or Retained Shares under the Structure B Scheme to another shareholder or a third party nominated by either the HoldCo Board or the VRL Board respectively.

If the HoldCo Board under the Structure A Scheme or the VRL Board under the Structure B Scheme serves such a notice, the HoldCo Small Shareholder under the Structure A Scheme or VRL Small Shareholder under the Structure B Scheme must sell or otherwise dispose of their HoldCo Shares under the Structure A Scheme or Retained Shares under the Structure B Scheme in the manner determined by the HoldCo Board under the Structure A Scheme or the VRL Board under the Structure B Scheme.

The sale price for the HoldCo Shares under the Structure A Scheme or Retained Shares under the Structure B Scheme will be their value (based on the last quarterly valuation for circulated by BGH to its investors in its quarterly report) as at the date on which the HoldCo Board under the Structure A Scheme or the VRL Board under the Structure B Scheme gives notice that the compulsory disposal provision will apply to the HoldCo Small Shareholders under the Structure A Scheme or VRL Small Shareholders under the Structure B Scheme or any other price agreed between the HoldCo Small Shareholder or VRL Small Shareholder with HoldCo or VRL (as applicable).

The arrangements described above are respectively set out in the HoldCo Shareholders' Deed under the Structure A Scheme and the VRL Shareholders' Deed under the Structure B Scheme. Under those documents, each HoldCo Shareholder under the Structure A Scheme or Retained Shareholder under the Structure B Scheme will be contractually obliged to take all actions required by the HoldCo Board under the Structure A Scheme or the VRL Board under the Structure B Scheme to give effect to this compulsory disposal provision, including entering into and executing all documentation.

Therefore, even if you make an Election, if you would be a HoldCo Small Shareholder under the Structure A Scheme or a VRL Small Shareholder under the Structure B Scheme, you may have your HoldCo Shares under the Structure A Scheme or Retained Shares under the Structure B Scheme compulsorily acquired after the 12 month anniversary of the Implementation Date.

ELECTIONS - IMPORTANT CAUTIONARY INFORMATION

You should read this Scheme Booklet in full before making an Election under the Structure A Scheme, the Structure B Scheme or under Either Alternative Scheme. In particular, before making any Election you should:

- refer to Sections 2, 6, 7, 8, 9 and 10 as well as the Independent Expert's Report in Appendix 1;
- refer to sections 7.4(b) and 8.4 which summarises the HoldCo Shareholders' Deed and the rights attaching to HoldCo Shares under the Structure A Scheme and the VRL Shareholders' Deed and the rights that will apply to the Retained Shares under the Structure B Scheme respectively; and
- obtain legal, financial, taxation or other professional advice appropriate to your personal circumstances and investment objectives.

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ELECTIONS - IMPORTANT PROCEDURAL ASPECTS

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General

- Two Election Forms accompany this Scheme Booklet: one for the Structure A Scheme and one for the Structure B Scheme. Election Forms for Each Alternative Scheme can also be requested by contacting the VRL Shareholder Information Line on 1300 163 094 (within Australia) or +61 3 9415 4151 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time).
- If your preferred form of Scheme Consideration under Either Alternative Scheme is Cash Consideration, you do not need to make any Election. You should therefore disregard the two Election Forms that accompany this Scheme Booklet.
- You may make an Election under both the Structure A Scheme and the Structure B Scheme (being two separate Elections in respect of Each Alternative Scheme). Your Election will apply to whichever Scheme becomes Effective, provided your Election in respect of that Scheme is validly made and noting that Elections must relate to a minimum number of HoldCo Shares (in the case of the Structure A Scheme) or VRL Shares (in the case of the Structure B Scheme) and noting that the scale back arrangements described below for Each Alternative Scheme may apply in respect of your Election.
- You may instead make an Election under just the Structure A Scheme or the Structure B Scheme (being a single Election in relation to Either Alternative Scheme). Your Election will apply if the Scheme to which your Election relates becomes Effective, provided your Election in respect of that Scheme is validly made and noting that Elections must relate to a minimum number of HoldCo Shares (in the case of the Structure A Scheme) or VRL Shares (in the case of the Structure B Scheme) and noting that the scale back arrangements described below may apply in respect of your Election.
- To make two separate Elections under Each Alternative Scheme or one Election under Either Alternative Scheme, you must complete and return the relevant Election Form(s) which accompany this Scheme Booklet. An Election will only be valid if it is made using the relevant Election Form and is received by the Share Registry no later than 5:00pm on the Election Date (being Monday, 16 November 2020).
- For details on how to complete and lodge an Election Form, please refer to the instructions on the Election Form. Please also see below under the heading *Returning, varying or withdrawing Elections*.
- The Election Date is before the date of the Scheme Meetings and is also before the date by which you need to lodge your proxy. Therefore, if you wish to make an Election, you must do so before you vote at the Scheme Meetings. The Election Date has been set for Monday, 16 November 2020 to ensure that by that date, you will know whether the requirements for the Theme Parks Uplift Event have been satisfied before you decide whether to make an Election.
- Elections will apply in respect of your registered holding of VRL Shares at the Relevant Scheme Record Date regardless of whether your holding of VRL Shares at that date is greater or less than your holding at the time you make your Election.
- If you hold one or more parcels of VRL Shares as trustee or nominee for, or otherwise on account of, another person, you may make separate Elections in relation to each of those parcels of VRL Shares (subject to you providing to VRC, BidCo and VRL any substantiating information they reasonably require). If you do so, you will be treated as a separate VRL Shareholder for each such parcel in respect of which a separate Election is made (and in respect of any balance of your holding), provided that if, at the Record Date for the Relevant Scheme, you hold fewer VRL Shares than you held at the time you made the Election, then, unless you have at the time of any sale of VRL Shares notified VRL whether the VRL Shares sold relate to any such separate Election (and if so which separate Election the VRL Shares sold relate to), you will be treated as not having made a valid Election in respect of any of your VRL Shares (or will be treated in any other manner that VRC, BidCo and VRL agree is fair to you in all the circumstances acting reasonably).
- A VRL Shareholder who does not submit a valid Election Form to the Share Registry, or who submits an Election Form to the Share Registry after 5:00pm on the Election Date (being Monday, 16 November 2020) or who becomes a VRL Shareholder after the Election Date, will automatically receive the Cash Consideration for all of their VRL Shares if the Relevant Scheme becomes Effective.

Elections under the Structure A Scheme

- Under the Structure A Scheme, an Election to receive HoldCo Shares is only open to VRL Shareholders with a registered address in Australia or its external territories or any other jurisdiction that VRL and HoldCo agree. Scheme Shareholders whose registered address is outside these jurisdictions will be Foreign Scheme Shareholders.
- Foreign Scheme Shareholders are not entitled to make an Election under the Structure A Scheme. Foreign Scheme Shareholders who purport to make an Election under the Structure A Scheme will not receive HoldCo Shares. Their Scheme Consideration will instead be the Cash Consideration.
- The Election Form for the Structure A Scheme requires a VRL Shareholder to make either a Partial Election (so that 50% of their Scheme Consideration is in the form of HoldCo Shares) or a Maximum Election (so that 100% of their Scheme Consideration is in the form of HoldCo Shares). A VRL Shareholder who makes an Election under the Structure A Scheme may subsequently vary or withdraw it by following the procedure outlined below under the heading *Returning, varying or withdrawing Elections*.
- Elections under the Structure A Scheme are subject to the Structure A Scheme proceeding, as well as valid Elections being received in excess of the Structure A Share Floor.

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- Elections under the Structure A Scheme are also subject to scale back if valid Elections are received in excess of the Structure A Share Cap. Therefore, even if valid Elections are received in excess of the Structure A Share Floor and you have made a valid Partial Election or Maximum Election, you may still receive the Cash Consideration for some of your VRL Shares. The extent of the scale back will depend on the number of VRL Shareholders who make a valid Election under the Structure A Scheme to receive HoldCo Shares. The Structure A Share Floor and the application of the scale back is calculated as at the Election Date and VRL will announce to ASX on Tuesday, 17 November 2020 the results of the Election process and whether valid Elections have been received in excess of the Structure A Share Floor and whether valid Elections have been received in excess of the Structure A Share Cap and if so that scale back will apply.
- Therefore, even if you make a Partial or Maximum Election under the Structure A Scheme, there is no guarantee that you will receive any or all of the HoldCo Shares to which your Election relates.
- If the Structure A Scheme proceeds and you receive HoldCo Shares as a result of an Election under the Structure A Scheme, then under the terms of the Structure A Scheme you agree to become a shareholder of HoldCo, to be bound by its constitution and by the HoldCo Shareholders' Deed (see Section 7.4).
- If the Structure A Scheme proceeds and you receive HoldCo Shares as a result of an Election under the Structure A Scheme, the HoldCo Shares to which you are entitled will be issued to you on the Implementation Date. Alternatively, if on the Implementation Date there are or would be more than 50 HoldCo Shareholders, your HoldCo Shares will be transferred or issued directly to a Nominee. The Nominee will hold your HoldCo Shares on bare trust for you, such that the Nominee would be the registered legal holder of your HoldCo Shares and you would be the beneficial holder of those HoldCo Shares. This arrangement is subject to you providing any required "Know Your Customer" information to HoldCo or to the Nominee, in the absence of which your HoldCo Shares will still be issued to the Nominee but will instead be held on trust by the Nominee for a wholly owned subsidiary of VRL, who will in turn hold those HoldCo Shares on bare trust for you for a period of time (during which you must provide the "Know Your Customer" information to HoldCo or the Nominee). Under this arrangement, the Nominee would still be the registered legal holder of your HoldCo Shares and you would be the ultimate beneficial holder of those HoldCo Shares.

Elections under the Structure B Scheme

- Under the Structure B Scheme, an Election by a VRL Shareholder to retain their Scheme Shares can only be made for all (not some) of their VRL Shares. The Election Form for the Structure B Scheme reflects this requirement.
- Elections under the Structure B Scheme are open to all VRL Shareholders irrespective of their registered address.
- Elections under the Structure B Scheme are subject to the Structure B Scheme proceeding. There is no minimum level of Elections that applies to the Structure B Scheme.
- A VRL Shareholder who makes an Election under the Structure A Scheme may subsequently vary or withdraw it by following the procedure outlined below under the heading *Returning, varying or withdrawing Elections*.
- Elections under the Structure B Scheme are subject to scale back if valid Elections are received in excess of the Retention Cap. Therefore, even if you have made a valid Election, you may still receive the Cash Consideration for some of your VRL Shares. The extent of the scale back will depend on the number of VRL Shareholders who make a valid Election under the Structure B Scheme to retain all of their VRL Shares. The Retention Cap and the application of the scale back is calculated as at the Election Date and VRL will announce to ASX on Tuesday, 17 November 2020 the results of the Election process, whether valid Elections are received in excess of the Retention Cap and if so that scale back will apply.
- Therefore, even if you make an Election under the Structure B Scheme, there is no guarantee that you will be able to retain all of your VRL Shares.
- If the Structure B Scheme proceeds and you make an Election under that Scheme to retain all of your VRL Shares (or if scale back applies, some of your VRL Shares), then under the terms of the Structure B Scheme you agree to be bound by the VRL Shareholders' Deed (see Section 8.4). If on the Implementation Date there are more than 50 VRL Shareholders, then as deemed necessary by BidCo, your VRL Shares will be transferred to the Nominee. The Nominee will hold your VRL Shares on bare trust for you, such that the Nominee would be the registered legal holder of your VRL Shares and you would remain the beneficial holder of those VRL Shares.
- This arrangement is subject to you providing any required "Know Your Customer" information to VRL or the Nominee, in the absence of which your VRL Shares will still be transferred to the Nominee but will instead be held on trust by the Nominee for a wholly owned subsidiary of VRL, who will in turn hold those VRL Shares on bare trust for you for a period of time (during which you must provide the "Know Your Customer" information to VRL or the Nominee). Under this arrangement, the Nominee would still be the registered legal holder of your VRL Shares and you would remain the ultimate beneficial holder of those VRL Shares.

Returning, varying or withdrawing Elections

- Election Forms, duly completed in accordance with the instructions set out on the relevant Election Form, may be returned to the Share Registry by:
  - **By email: corpactprocessing@computershare.com.au – This is the recommended method for the return of Election Forms;**
  - **posting your Election Form(s) in the reply paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) provided to the Share Registry:**

    Village Roadshow Limited, C/- Computershare Investor Services Pty Limited
    GPO Box 1282
    Melbourne Victoria Australia 3001
  - **By fax** to the Share Registry on 1800 783 447 (within Australia) and +61 3 9473 2555 (outside Australia)
- You may withdraw an Election by giving notice to the Share Registry before 5:00pm on the Election Date by calling the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time).
- A VRL Shareholder who makes an Election may subsequently vary it by lodging a replacement Election Form so that it is received before 5.00pm (Melbourne time) on the Election Date. The last valid Election Form received by the Share Registry before 5.00pm (Melbourne time) on the Election Date will be used to determine that VRL Shareholders' Election and will also apply to the total number of VRL Shares held by that VRL Shareholder on the Scheme Record Date (currently proposed to be 7:00pm on Wednesday, 9 December 2020), subject to possible scale back.

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1 OVERVIEW OF EACH ALTERNATIVE SCHEME

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1. OVERVIEW OF EACH ALTERNATIVE SCHEME

1.1 Background and role of Independent Board Committee

The VRL Board has established an Independent Board Committee (**IBC**) comprising all of the VRL Directors except for Robert Kirby, Graham Burke and John Kirby (each being a **VRC Principal**). The IBC has had primary responsibility for managing VRL's response to and negotiation of the initial non-binding indicative proposal from BGH that VRL announced to ASX on 24 January 2020 (**Initial BGH Proposal**) and the revised non-binding indicative proposal from BGH that VRL announced to ASX on 18 May 2020 (**Revised BGH Proposal**). The IBC has worked closely with the senior executive management of VRL and its financial and legal advisers in evaluating the Revised BGH Proposal and negotiating VRL's response to it including the entry into a Transaction Process Deed with BGH.

The subsequent exclusive negotiations with BGH culminated in the signing of the Implementation Agreement on 6 August 2020. In assessing and negotiating the terms of the Implementation Agreement, the IBC had regard to the following principal matters.

a. Value

The base Cash Consideration under Either Alternative Scheme (assuming the Theme Parks Uplift Event does not apply) reflects what the IBC considers to at least be the underlying value of VRL and also incorporates an appropriate premium for delivering control of VRL to BidCo, therefore realising attractive value for all Shareholders in a very uncertain operating environment. These valuation matters are considered further in Section 2.

The IBC further considers that the trigger event for the Theme Parks Uplift Event and the amount of the Theme Parks Uplift Event is appropriate. Section 2.7(c) sets out the IBC's assessment in relation to matters currently affecting whether the requirements of the Theme Parks Uplift Event are likely to be satisfied. The IBC's assessment is informed by State government announcements in force as at the Last Practicable Date relating to COVID-19 restrictions. As the State government announcements on COVID-19 restrictions are fluid and may change quickly, the IBC notes that the Theme Parks Uplift Event may not be satisfied by the relevant testing date. Accordingly, the IBC has assessed Each Alternative Scheme primarily on the basis of the adequacy of its base Cash Consideration, assuming no contingent uplift event applies.

b. Execution certainty

The Independent Board Committee evaluated:

- the appropriateness of a transaction structure whereby two alternative schemes are to be concurrently submitted to VRL Shareholders for their consideration;
- the nature and scope of the conditions attached to Each Alternative Scheme having regard to market practice for control transactions and the impact on VRL's operations of the COVID-19 global pandemic; and
- the corporate standing, credentials and funding capacity of BGH to complete Either Alternative Scheme;

and concluded that the overall structure and level of execution certainty are appropriate. These matters are considered further in Section 2.

c. Capacity to preserve competitive tension

The IBC concluded that the exclusivity arrangements in the Implementation Agreement (which are described further in Section 1.14) are consistent with market practice for a control transaction of this nature, appropriately preserve the capacity for Competing Proposals to emerge and for the Independent Directors to consider and respond to any such Competing Proposals.

d. Consideration of other options

The IBC considered the options open to VRL including remaining a listed company and concluded that Either Alternative Scheme delivers a better outcome for all VRL Shareholders. The alternatives considered by the IBC are outlined in Section 2.9(a).

e. Other considerations

The IBC also had regard to the following additional considerations:

- under Each Alternative Scheme, VRL Shareholders will have the opportunity to elect to retain an equity interest in an unlisted VRL entity that is controlled by BGH (subject to certain limitations described in this Scheme Booklet);
- an offer of funding from BGH subject to implementation of Either Alternative Scheme; and
- the importance of VRL securing business as usual funding regardless of whether or not Either Alternative Scheme proceeds, including financial support (loans and grants) from the Queensland Government.

On the basis of the extensive process and considerations outlined above, and with the benefit of external advice, the IBC:

- unanimously concluded that the Each Alternative Scheme is in the best interests of all VRL Shareholders, in the absence of a Superior Proposal, and subject to an Independent Expert concluding that Each Alternative Scheme is in the best interests of VRL Shareholders; and
- recommended to the VRL Board that VRL enter into the Implementation Agreement so that Each Alternative Scheme can be submitted to eligible VRL Shareholders for their consideration.

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1.2 Each Alternative Scheme at a glance

Structure A Scheme	Structure B Scheme
Relationship between Each Alternative Scheme	
The Structure A Scheme is not conditional on the outcome of the Structure B Scheme.	It is a Condition for the Structure B Scheme proceeding that Structure A Scheme approvals are not obtained. Approval of the Structure A Scheme may not be obtained at either: • the Structure A Scheme Meeting if the Structure A Scheme is not approved by the requisite majorities of VRL Shareholders; or • the Second Court Date if the Structure A Scheme is not approved by the Court, noting that the Court retains an overriding discretion whether or not to approve any scheme of arrangement. Accordingly, it is important that you vote on both the Structure A Scheme and the Structure B Scheme. See further Sections 1.4 and 4.2 below.
Scheme Consideration	
If the Structure A Scheme is implemented, Structure A Scheme Shareholders will be entitled to receive either: • the base Structure A Cash Consideration of $2.20 per VRL Share (which may be subject to an uplift if the conditions for the Theme Parks Uplift Event are satisfied); or • if they make an Election and certain other conditions are satisfied, HoldCo Shares on a one-for-one basis (see Section 7 for further details). If the Structure A Scheme is implemented, Structure A Scheme Shareholders will receive the Structure A Cash Consideration unless they make an Election.	If the Structure B Scheme is implemented, Structure B Scheme Shareholders will be entitled to either: • the base Structure B Cash Consideration of $2.10 per VRL Share (which may be subject to an uplift if the conditions for the Theme Parks Uplift Event are satisfied); or • if they make an Election and certain other conditions are satisfied, retain their VRL Shares (see Section 8 for further details). If the Structure B Scheme is implemented, Structure B Scheme Shareholders will receive the Structure B Cash Consideration unless they make an Election.
Election alternative	
A Structure A Scheme Shareholder may make an Election to receive either: • in relation to 50% of their Structure A Scheme Shares, Scheme Consideration in the form of HoldCo Shares and in relation to the remaining 50% of their Structure A Scheme Shares, Scheme Consideration in the form of cash; or • in relation to 100% of their Structure A Scheme Shares, Scheme Consideration in the form of HoldCo Shares, **and** in either case they will become a party to and bound by the HoldCo Shareholders' Deed. See pages 18 to 26 for more information about making an Election under the Structure A Scheme. See Sections 1.3 and 7.4 for more information in relation to HoldCo Shares.	A Structure B Scheme Shareholder may make an Election to retain 100% of their VRL Shares in which case they will become a party to and bound by the VRL Shareholders' Deed. See pages 18 to 26 for more information about making an Election under the Structure B Scheme. See Sections 1.3, 8.2(e) and 8.4 for more information in relation to Retained Shares and the potential Restructure Event.
Election scale back arrangements	
There will be scale back if the aggregate amount of Elections under the Structure A Scheme exceeds 29,287,889 VRL Shares representing **approximately** 15% of all VRL Shares on issue as at the date of the Implementation Agreement. ***Note**: Structure A Excluded Shareholders are not included in Structure A Scheme scale back calculations. Under the Structure A Scheme, the shareholdings of the Excluded Shareholders are dealt with under separate ancillary agreements, the Positive Sale Agreement and the VRC Principals Share Sale Agreements.*	There will be scale back if the aggregate amount of Elections under the Structure B Scheme exceeds 97,626,298 VRL Shares representing approximately 50% of all VRL Shares on issue as at the date of the Implementation Agreement. ***Note**: if applicable, scale back under the Structure B Scheme will apply equally to all Structure B Scheme Shareholders which includes direct and indirect shareholdings of the VRC Principals.*

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Structure A Scheme	Structure B Scheme
Eligibility and limitations to making an Election	
A Structure A Scheme Shareholder is only entitled to receive HoldCo Shares if: • the Structure A Scheme Shareholder has made a valid Election (with that Election applying in respect of its VRL Shares held on the Structure A Scheme Record Date); and • Structure A Scheme Shareholders holding, in aggregate, at least 9,762,630 VRL Shares (representing 5% of VRL Shares on issue at the date of the Implementation Agreement) have made Elections. ***Note**: Structure A Excluded Shareholders are not included in the calculations of any Structure A Scheme limitations.*	A Structure B Scheme Shareholder is only entitled to retain their Structure B Scheme Shares if the Structure B Scheme Shareholder has made a valid Election (with that Election applying in respect of its VRL Shares held on the Structure B Scheme Record Date).
Illustrative ownership structure under various scenarios	
Please refer to Section 7.2(d)	Please refer to Section 8.2(c)

1.3 Key features of an investment in HoldCo under the Structure A Scheme and Retained Shares under the Structure B Scheme

The table below provides an overview of the key features of an investment in the private VRL Group for VRL Shareholders who choose to make an Election under Each Alternative Scheme. This overview should be read in conjunction with Sections 7.4, 8.4 and 9.4. Those Sections provide further information in relation to HoldCo or VRL Group in an unlisted environment, including its governance and management structure, investment strategy, the rights attaching to HoldCo Shares or Retained Shares, how those rights differ from the rights attached to VRL Shares in a listed environment and the risks of holding HoldCo Shares or Retained Shares.

HoldCo Shares (Structure A Scheme)	Retained Shares (Structure B Scheme)
Company	
HoldCo is an Australian incorporated public company. HoldCo will initially be 100% held by BGH's Affiliates and indirectly hold 100% of the shares in BidCo. BidCo will (through one or more wholly owned subsidiaries) acquire 100% of VRL Shares pursuant to the Structure A Scheme. All holders of HoldCo Shares will be a party to and bound by the HoldCo Shareholders' Deed.	VRL will be the entity in which BidCo will invest (including by acquiring VRL Shares pursuant to the Structure B Scheme) and Retaining Shareholders may elect to retain the Retained Shares subject to the terms in the Structure B Scheme and become a party to and bound by the VRL Shareholders' Deed.
Issue and ranking	
Initially, all HoldCo Shares will be ordinary shares, ranking equally.	All Retained Shares and VRL Shares acquired by BidCo will continue to be ordinary shares, ranking equally.
Dividends	
No dividends will be payable for the first two years following implementation of Either Alternative Scheme, except with the approval of the BGH Directors of HoldCo or the delisted VRL Group. After that initial two year period, subject to: • any restrictions, or requirements to pay principal or interest, under the financing arrangements; • servicing any accrued 'payment in kind' interest on the BGH Second Ranking Loan; and • the net debt: EBITDA ratio being, for the period of 6 months after the payment of the dividend below 3.0x. The dividend policy will be to pay out up to 100% of net profit after taxation as dividends to the shareholders in pro-rata proportion to their shareholding in HoldCo or the delisted VRL. Dividends will be franked to the maximum extent possible without the paying company incurring an additional taxation liability.	

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HoldCo Shares (Structure A Scheme)	Retained Shares (Structure B Scheme)
Board appointments	
The initial HoldCo board will comprise: • Three nominees of BGH; and • Participating Directors comprising Robert Kirby (as Executive Chair) and Graham Burke as the Co-Chair) and Clark Kirby (as CEO and Managing Director). BGH can remove and replace any BGH Director at any time. The Participating Directors can be removed and replaced as follows: • Robert Kirby can resign and replace himself or Clark Kirby as a HoldCo Director at any time; and • Graham Burke can resign and replace himself as a HoldCo Director at any time. If HoldCo Shareholders controlled by: • Robert Kirby cease to hold 5% of the voting shares, Robert Kirby will no longer have the right to appoint a director; and • Graham Burke cease to hold 5% of the voting shares, Graham Burke will no longer have the right to appoint a director.	The initial board will comprise: • Three nominees of BidCo (the BGH Directors) • Robert Kirby (as Executive Chair) and Graham Burke (as the Co-Chair) and Clark Kirby (as CEO and Managing Director) BidCo can remove and replace any BGH Director at any time. The non-BGH Directors can be removed and replaced by any one or more Retaining Shareholders that together hold 75% or more of the VRL Shares that are not held by BidCo (and its affiliates) (clearly identified by written notice), provided that BidCo consents to the identity of any new Director.
Board meetings	
• The HoldCo Board must meet at least once every three months. • The BGH Directors are collectively entitled to the number of votes equal to the number of shares in HoldCo held by BGH. • The HoldCo Directors appointed by Robert Kirby will together be entitled to the number of votes equal to the number of shares in HoldCo held by shareholders controlled by Robert Kirby. • The HoldCo Director appointed by Graham Burke will be entitled to the number of votes equal to the number of shares in HoldCo held by shareholders controlled by Graham Burke. • The Chairman does not have a casting vote. • Decisions on all matters, except Reserved Matters, will be made by simple majority of votes calculated on the basis of shareholdings as outlined above. • The quorum for a Board meeting is 2 directors, and requires attendance by at least one BGH Director and one non-BGH HoldCo Director (and, if a quorum is not achieved, the meeting will be adjourned for at least 24 hours and the attendance of one of more BGH Directors at the adjourned meeting will constitute a quorum).	• The delisted VRL Board must meet at least once every three months. • The BGH Directors are entitled to the number of votes equal to the number of shares in VRL held by BidCo. • The Directors appointed by any one or more Retaining Shareholders will be collectively entitled to the number of votes equal to the number of shares in VRL then held by the Retaining Shareholders that have either notified VRL in writing that they want to be represented by those Participating Directors or nominated the Directors (the total number of votes divided equally between each Director). • The Chairman does not have a casting vote. • Decisions on all matters, except Reserved Matters, will be made by simple majority of votes calculated on the basis of shareholdings as outlined above. • The quorum for a Board meeting is 2 directors, and requires attendance by at least one BGH Director and one Director nominated by Retaining Shareholders (and, if a quorum is not achieved, the meeting will be adjourned for at least 24 hours and the attendance of one of more BGH Directors at the adjourned meeting will constitute a quorum).

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HoldCo Shares (Structure A Scheme)	Retained Shares (Structure B Scheme)
Reserved Matters	
Reserved Matters require approval by more than the Applicable Threshold (as defined in the HoldCo Shareholders' Deed or VRL Shareholders' Deed) of votes cast at a Board meeting (or approved in writing by directors representing the requisite number of votes had all the directors attended the meeting): • removal of or variation to the terms of appointment of the MD and CEO, Executive Chair or Co Chair, except for cause (being valid termination under the terms of employment other than for redundancy) or underperformance; • approval of business plan / budget other than the initial business plan and budget (and any material variations to a business plan / budget); • divestment of all or a material part of the theme park business, within the first 5 years following implementation of the Either Alternative Scheme (other than pursuant to the IPO demand right referred to below); • any material change to the capital structure of HoldCo or VRL Group (including buy-backs or capital reductions) or the rights attaching to HoldCo or Retained Shares; • any equity raisings, other than Emergency Raisings (as defined in the Structure A or Structure B Shareholders' Deed) and equity raisings for: ▪ capital expenditures that relate to development of the Movie World hotel or "the Spit", provided management has first pursued in good faith debt funding for these projects; ▪ that are in aggregate no more than 10% of the equity value of HoldCo as at implementation of the Structure A Scheme (which will be equal to 100% of the equity value of VRL Shares based on the Cash Consideration paid for VRL Shares under the Structure A Scheme); or ▪ to fund the Cash Consideration under the Restructure Event under Structure B (outlined below) (and on the basis that HoldCo has not already raised funds to acquire VRL Shares prior to the implementation of the Structure B Scheme which have not been used to acquire VRL Shares under the Structure B Scheme); • payment of any dividend, other than a dividend declared and paid in accordance with the dividend policy outlined in the Relevant Shareholders' Deed; • any material change to the nature of the business carried on by HoldCo or VRL Group; • subject to the IPO demand right (see below), undertaking an IPO; and • appointment of an Operational Professional (as defined in the Relevant Shareholders' Deed).	
Information rights	
All shareholders will be provided with: • unaudited half-year financial statements (within 60 days of the end of each half year); and • audited annual financial statements (within 120 days of the end of each financial year). Each shareholder with more than 5% of HoldCo or Retained Shares will be entitled to receive quarterly financial statements prepared by management in respect of HoldCo or delisted VRL in a form approved by the HoldCo or delisted VRL Board.	
Further funding and equity	
The funding requirements of HoldCo will be sourced (in order of priority) from: • operating cash flows; • entity or asset/business sales; • external debt financing; • equity or debt financing from BGH or its Affiliates (if acceptable to BGH and each Participating Shareholder); and • equity issues. No shareholder will have any obligation to contribute further funding or another form of credit support to HoldCo. Except for exempt equity raisings (as set out in the HoldCo Shareholders' Deed), BGH and the Participating Shareholders, being Robert Kirby, Graham Burke and John Kirby, (but no other HoldCo Shareholders) will have a pre-emptive right to participate in any new equity raising on a pro rata basis in accordance with their ownership of shares.	The funding requirements of the delisted VRL Group will be sourced (in order of priority) from: • operating cash flows; • entity or asset/business; • external debt financing; • equity or debt financing from BGH or its Affiliates (if acceptable to BGH and each Participating Shareholder); and • equity issues. No shareholder will have any obligation to contribute further funding or another form of credit support to the delisted VRL Group. Except for exempt equity raisings (as set out in the VRL Shareholders' Deed), BidCo and each other shareholder holding more than 5% of the delisted VRL Group will have a pre-emptive right to participate in any new equity raising on a pro rata basis in accordance with their ownership of shares.

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HoldCo Shares (Structure A Scheme)	Retained Shares (Structure B Scheme)
Restrictions on transfer	
HoldCo or Retaining Shareholders cannot dispose of shares in HoldCo or the delisted VRL Group, other than disposals under the express provisions as set out in the HoldCo Shareholders' Deed and the VRL Shareholders' Deed respectively (summarised below under IPO demand right, Exit proposals, Tag-along rights, Drag-along rights, Restructure Event).	
IPO demand right	
After a minimum of five years following implementation of Either Alternative Scheme, HoldCo or Retaining Shareholders representing a majority of shares can initiate an IPO, provided that the non-BGH Directors must consider in good faith approving an IPO earlier than this date where there are defined circumstances as set out in the Structure A and Structure B Shareholders' Deeds.	
Exit proposals	
After a minimum of six years following implementation of Either Alternative Scheme, HoldCo or Retaining Shareholders with, in aggregate, greater than 50% of HoldCo or VRL Shares may give notice to each other shareholder of their intention to explore a sale of their HoldCo or Retained Shares or all or substantially all its business to a third party buyer.	
Tag-along rights	
If HoldCo or Retaining Shareholders between them holding at least 50% of HoldCo or VRL Shares respectively propose to dispose of more than 50% of HoldCo or VRL Shares respectively to a third party, each of the other shareholders may elect to dispose of an equivalent proportion of the shares that it holds (as compared to the proportion of the shares held by the selling HoldCo or Retaining Shareholders to their total shareholding) at the same price and on the same terms and conditions as agreed by the selling HoldCo or Retaining Shareholders.	
Drag-along rights	
If BGH, either alone or together with any other HoldCo Shareholder, between them holding at least 50% of HoldCo Shares propose to dispose of more than 50% of HoldCo Shares to a third party, the selling HoldCo Shareholders may elect to require each of the following to sell some or all (as determined by the selling HoldCo Shareholder) of their shares: • Robert Kirby, where Robert Kirby collectively holds less than 5% of HoldCo Shares • Graham Burke, where Graham Burke collectively holds less than 5% of HoldCo Shares • John Kirby, where John Kirby collectively holds less than 5% of HoldCo Shares; or • Any other non-BGH owners of HoldCo Shares.	If BidCo, either alone or together with other Retaining Shareholders, between them holding at least 50% of VRL Shares propose to dispose of more than 50% of VRL Shares to a third party, the Majority Shareholders may elect to require each Participating Shareholder, other than any shareholder that satisfies both of: • immediately following Implementation of the Transaction held more than 15% of the VRL Shares; and • at the time the majority shareholders proposes to dispose of their shares has more than 7.5% of the VRL Shares, to sell some or all (as determined by the Majority Shareholder) of their shares.

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HoldCo Shares (Structure A Scheme)	Retained Shares (Structure B Scheme)
Others (Small Shareholders and Restructure Event)	
Small Shareholders: • At any time after the first anniversary of implementation of the Structure A Scheme, the Board may require the HoldCo Shareholders who hold HoldCo Shares with an aggregate issue price of $10,000 or less to transfer their shares to anyone (e.g. BGH) at the value based on the last quarterly valuation for HoldCo circulated by BGH to its investors in its quarterly report.	Small Shareholders: • At any time after the first anniversary of implementation of the Structure B Scheme, the Board may require shareholders who hold Retained Shares with an aggregate issue price of $10,000 or less to transfer their shares to anyone (e.g. BGH) at the value based on the last quarterly valuation for the delisted VRL Group circulated by BGH to its investors in its quarterly report. Restructure Event: • During the 3 month period following the date that is 6 months following the implementation of the Structure B Scheme, a Retaining Shareholder holding individually or collectively with other Retaining Shareholders more than 7.5% of VRL's shares on issue will be entitled to provide BidCo (an Australian proprietary limited company, wholly owned by HoldCo) with a notice requiring BidCo to acquire (and BidCo will then acquire) all shares in VRL not held by BidCo for consideration of either (at the election of the Retaining Shareholder): ▪ the Structure B Cash Consideration less $0.10 in respect of a maximum of one half of the VRL Shares held by the relevant Retaining Shareholder and one HoldCo share in respect of each of the relevant Retaining Shareholder's other VRL Shares; or ▪ one share in HoldCo for each of the relevant Retaining Shareholder's VRL Shares. • During the 3 months following the date that is 9 months after the implementation of the Structure B Scheme, BidCo will be entitled to issue a notice to the Retaining Shareholders requiring them to sell their VRL Shares on the same terms as above. • On completion of the Restructure Event, each Retaining Shareholder must enter into a shareholders agreement in respect of HoldCo that is substantially on the same terms as the Structure B Shareholders' Deed but making such amendments as BidCo (acting reasonably) considers are necessary. • If a Restructure Event occurs, instead of BidCo acquiring all of the VRL Shares held by a Retaining Shareholder, a Retaining Shareholder will have the option of requiring BidCo to directly acquire all of the share capital of an Eligible Holding Company in exchange for the Restructure Consideration. • If a Restructure Event occurs, your ability to receive HoldCo Shares and therefore remain invested in the VRL business may be impacted if you are an overseas shareholder or where your circumstances mean that HoldCo would be required to issue a disclosure document (such as a prospectus) to you.

1.4 The importance of voting on Each Alternative Scheme

If the Structure A Scheme is approved by the requisite majorities of VRL Shareholders (other than Excluded Shareholders) at the Structure A Scheme Meeting but is not subsequently approved by the Court, the Structure A Scheme will not be implemented noting that the Court retains an overriding discretion whether or not to approve any scheme of arrangement.

In those circumstances, the Structure B Scheme will proceed to be implemented (assuming it is approved by the requisite majorities of VRL Shareholders at the Structure B Scheme Meeting and is approved by the Court).

Accordingly, it is important that you vote on BOTH the Structure A Scheme and the Structure B Scheme and irrespective of the outcome of the shareholder vote on the Structure A Scheme. Please refer to Section 4.2 for further details.

1.5 Accessing or receiving relevant documents

This Scheme Booklet refers in various places to and/or summarises the key provisions of a number of underlying transaction documents or constituent documents. These documents are noted in the table below including how each document can be electronically accessed or how a hard copy can be requested free of charge.

Document name	Date	Electronic access	Hard copy access
Implementation Agreement	6 August 2020	• VRL's ASX announcement of 7 August 2020, and 8 October 2020 (in relation to the Amending Deed to the Implementation Agreement), copies of which can be accessed on the ASX website (www.asx.com.au) under the market code VRL or at: https://villageroadshow.com.au/-/media/VRL-Corporate-Media-Library/Documents/ASX-Announcements/Latest-Announcements/ • VRL's microsite for the Proposed Transaction: www.vrlscheme.com	Contact the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time)
HoldCo (Structure A) Shareholders' Deed	9 October 2020	Contact the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time)	As above
HoldCo constitution	N/A	As above	As above
VRL (Structure B) Shareholders' Deed	9 October 2020	As above	As above
Nominee Deed (Structure A)	N/A	As above – this will be substantially in the form attached as Schedule 4 to the HoldCo Shareholders' Deed	As above
Nominee Deed (Structure B)	N/A	As above – this will be substantially in the form attached as Schedule 5 to the VRL Shareholders' Deed	As above

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1.6 Independent Directors' recommendation and intentions

The table below sets out the Independent Directors' views on key matters:

Voting recommendation	Your Independent Directors unanimously recommend that VRL Shareholders vote in favour of Each Alternative Scheme, in the absence of a Superior Proposal.
Personal voting intention	Subject to that same qualification, each Independent Director intends to vote all VRL Shares held or controlled by them in favour of Each Alternative Scheme. As at the date of this Scheme Booklet, your Independent Directors hold or control in aggregate approximately 0.31% of all VRL Shares on issue.
Basis for voting recommendation	Your Independent Directors' voting recommendation is based predominantly on their view of the adequacy of the base Cash Consideration of $2.20 per Share under the Structure A Scheme or $2.10 per Share under the Structure B Scheme, assuming no uplift to the base Cash Consideration under Either Alternative Scheme. More generally, in forming their unanimous voting recommendation, your Independent Directors have carefully considered the conditions, expected advantages, potential disadvantages and risks of Each Alternative Scheme and the alternatives open to VRL. These matters are described in more detail in Section 2 and in the Independent Expert's Report in Appendix 1. Your Independent Directors consider that the expected advantages of Each Alternative Scheme outweigh its potential disadvantages and risks and represent the best alternative open to VRL, in the absence of a Superior Proposal.
No recommendation as to whether you should make an Election	Your Independent Directors make no recommendation as to whether you should: • make an Election under the Structure A Scheme to receive some or all of your Scheme Consideration in the form of HoldCo Shares; or • make an Election under the Structure B Scheme to retain all of your VRL Shares. This is due to the speculative nature of HoldCo Shares (for the Structure A Scheme) and the speculative nature of retaining all your VRL Shares in a privatised VRL (for the Structure B Scheme). Whether either Election is an appropriate choice will depend significantly on the individual circumstances, financial situation, taxation position, investment objectives and risk profile of each VRL Shareholder. Your Independent Directors note that there are significant risks involved in an investment in HoldCo Shares (under the Structure A Scheme) or retaining all of your VRL Shares in a privatised VRL(under the Structure B Scheme). Please see Section 9 for more information in relation to these risks.

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1.7 VRC Related Directors recommendation and intentions

No voting recommendation on Structure A Scheme	The VRC Related Directors abstain from making a voting recommendation on the Structure A Scheme due to their material personal interest in that scheme, noting that VRC is the intended acquirer of all VRL Shares (other than those held by VRC and the VRC Principals) under the Structure A Scheme.
Voting recommendation on Structure B Scheme	The VRC Related Directors UNANIMOUSLY recommend that you vote in favour of the Structure B Scheme, in the absence of a Superior Proposal. In relation to Messrs Graham Burke and Robert Kirby, VRL Shareholders should have regard to the post implementation board and executive arrangements that will apply in relation to Messrs Graham Burke and Robert Kirby as outlined in Section 12.8 when considering the recommendations of Messrs Graham Burke and Robert Kirby. In particular, Mr Robert Kirby will be appointed as the Executive Chair of HoldCo (in the case of the Structure A Scheme) or VRL (in the case of the Structure B Scheme). Mr Graham Burke will be appointed as the Co-Chair of HoldCo (in the case of the Structure A Scheme) or VRL (in the case of the Structure B Scheme)
Personal voting intention on Structure B Scheme	Subject to the same qualification, the VRC Related Directors intend to vote all VRL Shares they hold or control in favour of the Structure B Scheme, in the absence of a Superior Proposal.
Basis for voting recommendation on Structure B	For the same reasons as articulated by the Independent Directors in Section 2.7, each VRC Related Director unanimously believes that: • the expected benefits of the Structure B Scheme outweigh its potential disadvantages and risks; and • the Structure B Scheme is in the best interests of VRL Shareholders, in the absence of a Superior Proposal.
No recommendation as to whether you should make an Election under Structure B	VRC has informed the Independent Directors that it intends to make an Election under the Structure B Scheme to retain all of its VRL Shares. The VRC Principals have not yet informed the Independent Directors of their intentions under the Structure B Scheme with respect to the VRL Shares they hold (other than through VRC). The VRC Related Directors make no recommendation as to whether you should: • make an Election under the Structure A Scheme to receive some or all of your Scheme Consideration in the form of HoldCo Shares; or • make an Election under the Structure B Scheme to retain all of your VRL Shares. This is due to the speculative nature of HoldCo Shares (for the Structure A Scheme) and the speculative nature of retaining all your VRL Shares in a privatised VRL (for the Structure B Scheme). Whether either Election is an appropriate choice will depend significantly on the individual circumstances, financial situation, taxation position, investment objectives and risk profile of each VRL Shareholder. The VRC Related Directors note that there are significant risks involved in an investment in HoldCo Shares (under the Structure A Scheme) or retaining all of your VRL Shares in a privatised VRL(under the Structure B Scheme). Please see Section 9 for more information in relation to these risks.

1.8 Independent Expert's conclusion

The IBC engaged the Independent Expert, Grant Samuel & Associates Pty Limited, to prepare a report expressing an opinion on whether Each Alternative Scheme is fair and reasonable and in the best interests of VRL Shareholders.

The Independent Expert has concluded that Each Alternative Scheme is fair and reasonable and that Each Alternative Scheme is in the best interests of VRL Shareholders, in the absence of a superior proposal.

The Independent Expert's Report is included in Appendix 1. You should read that report as part of your assessment of Each Alternative Scheme. Section 2 contains a summary of the key conclusions of the Independent Expert in relation to Each Alternative Scheme.

1.9 Elections to remain invested in a privatised VRL

Instead of receiving the default all Cash Consideration under Either Alternative Scheme, eligible VRL Shareholders may:

- make an Election under the Structure A Scheme to receive HoldCo Shares for all of their Scheme Consideration or for 50% of their Scheme Consideration (with Cash Consideration to be received for the balance of their Scheme Consideration); and/or
- make an Election under the Structure B Scheme to retain all of their VRL Shares.

The key considerations relevant to making an Election under Each Alternative Scheme or Either Alternative Scheme are set out at pages 18 and 22 under the headings *Potential reasons to make an Election (under the Structure A Scheme and/or the Structure B Scheme)* and *Potential reasons not to make any Election*. Whether making any Election is an appropriate choice will depend significantly on the individual circumstances, financial situation, taxation position, investment objectives and risk profile of each VRL Shareholder.

Your Independent Directors note that there are significant risks involved in an investment in HoldCo Shares (under the Structure A Scheme) or retaining all of your VRL Shares in a privatised VRL (under the Structure B Scheme). Please see Section 9 for more information in relation to these risks.

For instructions on how to make a separate Election under Each Alternative Scheme or a single Election under Either Alternative Scheme, please refer to page 24 under the heading *Elections – Important procedural points.*

1.10 Taxation implications

If the Structure A Scheme proceeds, all holders of VRL Shares as at the Structure A Scheme Record Date (currently proposed to be 7.00pm on Wednesday, 9 December 2020), other than the Structure A Excluded Shareholders, will transfer all of their VRL Shares to VRC on the Implementation Date (currently proposed to be Wednesday, 16 December 2020), in accordance with the terms of the Structure A Scheme. This will constitute a disposal of VRL Shares for Australian taxation purposes.

If the Structure B Scheme proceeds, all holders of VRL Shares as at the Structure B Scheme Record Date (currently proposed to be 7.00pm on Wednesday, 9 December 2020), other than those who make a Valid Election to retain all of the VRL Shares (**Retaining Shareholders**), will transfer all of their VRL Shares to BidCo on the Implementation Date (currently proposed to be Wednesday, 16 December 2020), in accordance with the terms of the Structure B Scheme. This will constitute a disposal of VRL Shares for Australian taxation purposes for all VRL Shareholders other than the Retaining Shareholders.

A general outline of the taxation implications for Australian resident VRL Shareholders under Each Alternative Scheme is provided in Section 10. The information in that Section is general in nature and should not be relied on by VRL Shareholders as taxation advice. VRL Shareholders should obtain their own professional advice on the taxation implications relevant to them arising from Each Alternative Scheme in their own individual circumstances. In particular, VRL Shareholders should note that, depending on the timing of and price at which they acquired their VRL Shares, there may be differences in the taxation consequences for them.

1.11 Current status and next steps

For Either Alternative Scheme to proceed, it must be approved by the requisite majorities of VRL Shareholders at the Relevant Scheme Meeting and approved by the Court. There are also other Conditions that need to be satisfied or waived before Either Alternative Scheme proceeds. The key remaining Conditions are summarised in Section 2.9(b). The Conditions are set out in full in clause 3.1 (for the Structure A Scheme) and clause 4.1 (for the Structure B Scheme) of the Implementation Agreement.

As at the date of this Scheme Booklet, neither BidCo, VRL nor any of the Independent Directors are aware of any circumstances that would cause any of the Conditions to Either Alternative Scheme not to be satisfied or which could result in termination of the Implementation Agreement.

VRL will make a statement regarding the status of the Conditions at the commencement of the Structure A Scheme Meeting.

If all of the Conditions to Either Alternative Scheme are satisfied or waived (as applicable), the Relevant Scheme will constitute a binding arrangement between VRL and all holders of VRL Shares as at the Scheme Record Date (currently proposed to be 7.00pm on Wednesday, 9 December 2020) to undertake the steps required to give effect to the Relevant Scheme.

If all of the Conditions to Either Alternative Scheme are satisfied or waived (as applicable), all holders of VRL Shares as at the Scheme Record Date will be bound by the Relevant Scheme whether or not they:

- participate in the Relevant Scheme Meeting;
- vote at the Relevant Scheme Meeting; or
- vote against the Relevant Scheme at the Relevant Scheme Meeting.

1.12 Implementation

If all necessary approvals and other Conditions for Either Alternative Scheme are satisfied or waived (as applicable), it is proposed that the Relevant Scheme will be implemented on the Implementation Date (currently proposed to be Wednesday, 16 December 2020). The Relevant Scheme will apply to and bind all persons registered as VRL Shareholders as at the Relevant Scheme Record Date (currently proposed to be 7.00pm on Wednesday, 9 December 2020). These persons are referred to in Each Alternative Scheme and in this Scheme Booklet as **Scheme Shareholders**. Importantly, no transfer of Scheme Shareholders' VRL Shares under the Structure A Scheme and no transfer of Transferring Shareholders' VRL Shares under the Structure B Scheme will occur unless:

- in the case of the Structure A Scheme:
  - on the Business Day prior to the Implementation Date (currently proposed to be Wednesday,16 December) VRC has deposited an amount equal to the aggregate Structure A Cash Consideration payable in connection with the Structure A Scheme in cleared funds into a trust account operated by VRL as trustee for the benefit of the Structure A Scheme Shareholders; and
  - on the Implementation Date (currently proposed to be Wednesday,16 December 2020):
    - VRL has paid or procured the payment of the Structure A Cash Consideration to each Structure A Scheme Shareholder by mailed cheque or funds transfer to an account with an ADI (subject to receipt of an appropriate authority from the relevant Structure A Scheme Shareholder); and
    - HoldCo has confirmed in writing by no later than 12 noon (or such later time as HoldCo and VRL may agree) that the HoldCo Shares component of the Structure A Scheme Consideration has been issued to (or to be held by the Nominee beneficially for) Scheme Shareholders who have made a valid Election; and

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- in the case of the Structure B Scheme:
  - on the Business Day prior to the Implementation Date (currently proposed to be Wednesday,16 December 2020) BidCo has deposited an amount equal to the aggregate Structure B Cash Consideration payable in connection with the Structure B Scheme in cleared funds into a trust account operated by VRL as trustee for the benefit of the Transferring Shareholders; and
  - on the Implementation Date (currently proposed to be Wednesday,16 December 2020) VRL paying or procuring the payment of the Structure B Cash Consideration to each Transferring Shareholder by mailed cheque or funds transfer to an account with an ADI (subject to receipt of an appropriate authority from the relevant Transferring Shareholder).

Only once these steps have occurred will Scheme Shareholders' VRL Shares be transferred to VRC (under the Structure A Scheme) or will Transferring Shareholders' VRL Shares be transferred to BidCo (under the Structure B Scheme).

In addition:

a. for the Structure A Scheme, VRC and HoldCo have executed a Deed Poll in favour of all Structure A Scheme Shareholders under which, subject to the Structure A Scheme becoming Effective, VRC and HoldCo undertake to provide the Structure A Scheme Consideration in accordance with the Structure A Scheme. A copy of the Structure A Deed Poll is contained in Appendix 3 to this Scheme Booklet; and

b. for the Structure B Scheme, BidCo has executed a Deed Poll in favour of all Structure B Scheme Shareholders under which, subject to the Structure B Scheme becoming Effective, BidCo undertakes to provide the Structure B Scheme Consideration in accordance with the Structure B Scheme. A copy of the Structure B Deed Poll is contained in Appendix 6 to this Scheme Booklet.

Having regard to the above matters, the IBC considers that Scheme Shareholders are not exposed to any risk under Either Alternative Scheme that any transfer of ownership of their Shares will occur without the Scheme Consideration first having been provided to them.

Sections 7 and 8 describe in further detail the procedural aspects of Each Alternative Scheme and Section 11 describes how the Relevant Scheme will be implemented.

1.13 Warranties provided by VRL Shareholders

Each Alternative Scheme provides that VRL Shareholders who hold VRL Shares as at the Structure A Scheme Record Date or Transferring Shareholders as at the Structure B Scheme Record Date (currently proposed in either case to be 7.00pm on Wednesday, 9 December 2020) are taken to have warranted (in the case of the Structure A Scheme) to VRL and VRC and (in the case of the Structure B Scheme) to VRL and BidCo that:

- all their VRL Shares (including any rights and entitlements attaching to those shares) transferred to VRC under the Structure A Scheme or to BidCo under the Structure B Scheme will, at the time of transfer, be fully paid and free from mortgages, charges, liens, encumbrances, pledges, security interests (including any *security interests* within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions of transfer of any kind and that they have full power and capacity to sell and transfer their VRL Shares (together with any rights attaching to those shares) to VRC under the Structure A Scheme or to BidCo under the Structure B Scheme; and
- they have no existing right to be issued any VRL Shares, options exercisable into VRL Shares, VRL convertible notes or any other VRL securities.

You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

1.14 Exclusivity arrangements, competing proposals and break fee arrangements

a. Exclusivity arrangements

Under the Implementation Agreement, VRL has agreed to certain exclusivity arrangements in favour of BidCo. Please refer to Section 2.9(e) for further information on these exclusivity arrangements, and to clause 17 of the Implementation Agreement for the complete terms of these arrangements.

b. Competing proposals

Your Independent Directors' recommendation of Each Alternative Scheme is qualified as applying in the absence of a Superior Proposal. As at the date of this Scheme Booklet, no Superior Proposal has been received and your Independent Directors are not aware of any approach that may result in a Superior Proposal emerging. As part of the exclusivity arrangements described in Section 2.9(e), VRL has agreed not to solicit, invite or encourage any Competing Proposal. However, these restrictions do not prevent VRL from considering an unsolicited Competing Proposal. BidCo has the right (but not the obligation) to match any unsolicited Superior Proposal.

If a Competing Proposal for VRL emerges prior to the Scheme Meetings, your Independent Directors will carefully consider the proposal to determine whether it is a Superior Proposal and will inform you of any material developments which may affect your Independent Directors' view that Either Alternative Scheme is presently the most favourable proposal for all your VRL Shares.

Please see Section 2.9(e) for further discussion about the implications of any Competing Proposal that may emerge.

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c. Break fee arrangements

Under the Implementation Agreement:

- VRL has agreed in certain circumstances to pay BidCo a break fee of $4.29m (inclusive of GST) (**VRL Break Fee**);
- BidCo has agreed in certain circumstances to pay VRL a break fee of $4.29m (inclusive of GST) (**BidCo Break Fee**); and
- VRC has agreed in certain circumstances to pay VRL a break fee of $4.29m (inclusive of GST) (**VRC Break Fee**).

The VRL Break Fee triggers do not include a situation where Either Alternative Scheme does not proceed simply because VRL Shareholders do not approve Either Alternative Scheme at the Scheme Meetings to be held on Thursday, 26 November 2020.

Please refer to Section 2.9(f) for further information on these break fee arrangements and to clauses 16 and 17 of the Implementation Agreement for the complete terms of these arrangements.

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2 RELEVANT CONSIDERATIONS FOR VRL SHAREHOLDERS

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2. RELEVANT CONSIDERATIONS FOR VRL SHAREHOLDERS

2.1 Introduction

The purpose of this Section is to identify significant issues for VRL Shareholders to consider in relation to Each Alternative Scheme.

Before deciding how to vote at the Scheme Meetings, VRL Shareholders should carefully consider the factors discussed below as well as the other information contained in this Scheme Booklet.

Your Independent Directors recommend that you consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your individual circumstances.

2.2 Independent Directors' recommendation and intentions

As noted in Section 1.1, an IBC has been formed and its role included negotiating the terms of Each Alternative Scheme with the BidCo Group (and, in the case of the Structure A Scheme, VRC). The Independent Directors of VRL as at the date of this Scheme Booklet are Mr Peter Tonagh, Mr Robert Le Tet, Ms Anna Duran and Ms Jennifer Fox Gambrell.

Mr Robert Kirby, the Executive Chairman of VRL, Mr Graham Burke, Non-Executive Director, and Mr John Kirby, Non-Executive Director, each have a material personal interest in the outcome of the Structure A Scheme in their separate capacities as a director and major shareholder of VRC, being the acquirer of VRL Shares under the Structure A Scheme. Accordingly, each of Messrs Robert Kirby, Graham Burke and John Kirby do not desire to make and do not consider themselves justified in making a voting recommendation in relation to the Structure A Scheme.

Profiles of each member of the VRL Board can be found in VRL's 2020 Annual Report which is available on ASX's website or VRL 's website.

The interests of the Directors in Each Alternative Scheme are disclosed in Section 12.

For the reasons set out in Section 2.7, your Independent Directors unanimously believe that:

- the expected benefits of Each Alternative Scheme outweigh its potential disadvantages and risks; and
- Each Alternative Scheme is in the best interests of VRL Shareholders, in the absence of a Superior Proposal.

Accordingly, your Independent Directors unanimously recommend that VRL Shareholders vote in favour of Each Alternative Scheme, in the absence of a Superior Proposal.

Subject to that same qualification, each Independent Director intends to vote all VRL Shares they hold or control in favour of Each Alternative Scheme. As at the date of this Scheme Booklet, your Independent Directors hold or control in aggregate approximately 0.31% of all VRL Shares on issue.

No Superior Proposal from another party has been received as at the date of this Scheme Booklet.

You are not obliged to accept the Independent Directors' recommendation. Some of the reasons why you may decide to vote against the Scheme are set out in Section 2.8.

You should note that if you decide to vote against Either Alternative Scheme, the Relevant Scheme will nevertheless proceed if it is approved by the requisite majority of Shareholders, approved by the Court and if the other Conditions are satisfied or waived (see Sections 2.9(b) and 11).

2.3 No recommendation as to whether you should make an Election

Your Independent Directors make no recommendation as to whether you should:

- make an Election under the Structure A Scheme to receive 100% or 50% of your Scheme Consideration in the form of HoldCo Shares; or
- make an Election under the Structure B Scheme to retain all of your VRL Shares.

This is due to the speculative nature of HoldCo Shares (for the Structure A Scheme) and the speculative nature of retaining all your VRL Shares in a privatised VRL (for the Structure B Scheme). Whether either Election is an appropriate choice will depend significantly on the individual circumstances, financial situation, taxation position, investment objectives and risk profile of each VRL Shareholder.

Your Independent Directors note that there are significant risks involved in an investment in HoldCo Shares (under the Structure A Scheme) or retaining all of your VRL Shares in a privatised VRL (under the Structure B Scheme). Please see Section 9 for more information in relation to these risks.

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2.4 VRC Related Directors recommendation and intentions

Mr Robert Kirby, the Executive Chairman of VRL, Mr Graham Burke, Non-Executive Director, and Mr John Kirby, Non-Executive Director, each have a material personal interest in the outcome of the Structure A Scheme in their separate capacities as a director and major shareholder of VRC, being the acquirer of all of the VRL Shares (other than those held by VRC and the VRC Principals) under the Structure A Scheme. Accordingly, each of Messrs Robert Kirby, Graham Burke and John Kirby do not desire to make and do not consider themselves justified in making a voting recommendation in relation to the Structure A Scheme.

In relation to the Structure B Scheme, for the same reasons as articulated by the Independent Directors in Section 2.7, each VRC Related Director unanimously believes that:

- the expected benefits of the Structure B Scheme outweigh its potential disadvantages and risks; and
- the Structure B Scheme is in the best interests of VRL Shareholders, in the absence of a Superior Proposal.

Accordingly, each VRC Related Director recommends that VRL Shareholders vote in favour of the Structure B Scheme, in the absence of a Superior Proposal.

Subject to that same qualification, each VRC Related Director intends to vote all VRL Shares they hold or control in favour of the Structure B Scheme. As at the date of this Scheme Booklet, the VRC Related Directors hold or control in aggregate approximately 39.91% of all VRL Shares on issue.

In relation to Messrs Graham Burke and Robert Kirby, VRL Shareholders should have regard to the post implementation board and executive arrangements that will apply in relation to Messrs Graham Burke and Robert Kirby as outlined in Section 12.8 when considering the voting recommendations of Messrs Graham Burke and Robert Kirby. In particular, Mr Robert Kirby will be appointed as the Executive Chair of HoldCo (in the case of the Structure A Scheme) or VRL (in the case of the Structure B Scheme). Mr Graham Burke will be appointed as the Co-Chair of HoldCo (in the case of the Structure A Scheme) or VRL (in the case of the Structure B Scheme).

VRL has determined that the votes cast in favour of the Structure B Scheme by:

- VRC;
- Messrs Robert Kirby, Graham Burke and John Kirby;
- each Direct Seller;
- Mr Clark Kirby and his spouse and their controlled entities; and
- any Large Shareholder,

will be 'tagged' for the purposes of identification at the Structure B Scheme Meeting. If the Structure B Scheme is approved by the requisite majorities at the Structure B Scheme Meeting, the 'tagged' votes in favour by the above Shareholders will be drawn to the Court's attention at the Second Court Hearing.

In relation to Elections, VRC has informed the Independent Directors that it intends to make an Election under the Structure B Scheme to retain all of its VRL Shares. The VRC Principals have not yet informed the Independent Directors of their intentions under the Structure B Scheme with respect to the VRL Shares they hold (other than through VRC).

Each VRC Related Director makes no recommendation as to whether you should:

- make an Election under the Structure A Scheme to receive 100% or 50% of your Scheme Consideration in the form of HoldCo Shares; or
- make an Election under the Structure B Scheme to retain all of your VRL Shares,

for the same reasons as articulated by the Independent Directors in Section 2.3.

2.5 Rationale for two concurrent alternative schemes at different offer prices

BidCo and VRL have agreed to propose two concurrent alternative schemes, with each scheme offering different Cash Consideration. This Section outlines the rationale for the Proposed Transaction being structured in this manner.

The Structure A Scheme provides VRL Shareholders with the opportunity to receive the higher Cash Consideration on offer from BidCo but is more vulnerable to potential opposition from one or more opposing Shareholders who may not be representative of the broader VRL share register. That is because VRC and VRC Principals collectively own approximately 39.9% of VRL but they will be excluded from voting on the Structure A Scheme. The Structure B Scheme seeks to ensure that VRL Shareholders do not forego the opportunity to realise lower, but still attractive, Cash Consideration if any such minority opposition emerges.

a. Why is the Structure A Scheme priced at a premium to the Structure B Scheme?

BidCo is offering a higher price under the Structure A Scheme than under the Structure B Scheme due to a number of cost and structural outcomes identified during the negotiations leading up to the execution of the Implementation Agreement in August 2020.

It is expected that implementing Structure B, as well as the Restructure Event (if executed), would result in additional costs being incurred by the BidCo Group relative to implementing Structure A. To take into account these additional costs to the BidCo Group, BidCo is offering lower, but still attractive, Cash Consideration under Structure B relative to Structure A.

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Further, relative to the Structure B Scheme, the Structure A Scheme delivers greater certainty with respect to the register and Board composition. Each Alternative Scheme results in shareholders in the VRL Group having distinct rights following implementation and can result in differing ownership outcomes. For instance, under the Structure A Scheme, BGH would know exactly how much of the HoldCo register will be held by the VRC Principals. Under the Structure B Scheme, the percentage of VRL Shares owned by VRC and the VRC Principals can, in common with all other shareholders, fluctuate within a wide range. The differing ownership outcomes between Each Alternative Scheme can in turn impact, for example, the Board composition of HoldCo (in the case of the Structure A Scheme) or VRL (in the case of the Structure B Scheme) and HoldCo's or BidCo's (as applicable) capacity to raise capital following implementation.

The Structure A Scheme also achieves the immediate disaggregation of the VRC Group's shareholding without the delay, distraction and additional costs of the potential Restructure Event following the implementation of the Structure B Scheme. These advantages are beneficial to the BidCo Group, and indirectly BGH and VRL Shareholders that receive HoldCo Shares, which further supports the higher Cash Consideration under the Structure A Scheme than under the Structure B Scheme.

b. Why not just pursue one of the two Schemes?

In recognition of the costs and time involved in pursuing a potential control transaction and given the risks presented by the significantly reduced number of Shares that may be voted on the Structure A Scheme, BidCo and VRL determined that it was appropriate to pursue a transaction which involved the Structure B Scheme as an alternative to its preferred Structure A Scheme.

The Structure A Scheme is the Independent Directors' preferred transaction structure as it offers the higher Cash Consideration alternative. Nevertheless, the Independent Directors do not want VRL Shareholders to forego the opportunity to realise value from the Structure B Scheme if the Structure A Scheme does not receive the requisite Shareholder approval or Court approval. The Independent Directors believe that, other than the Structure A Scheme and in the absence of a superior proposal, the Structure B Scheme is in the best interests of VRL Shareholders.

The Structure A Scheme is vulnerable to potential opposition from one or more opposing shareholders who may not be representative of the broader VRL share register. That is because VRC and VRC Principals will not be eligible to vote on the Structure A Scheme. Given VRC and the VRC Principals own approximately 39.91% of all VRL Shares on issue, only the balance of approximately 60.09% of VRL Shares will be eligible to vote on the Structure A Scheme.

Conversely, under the Structure B Scheme, VRC and the VRC Principals will be able to vote their approximately 39.91% shareholding (in aggregate) in the VRL Group in the same class as other VRL Shareholders. Votes in favour of the Structure B Scheme by VRC and the VRC Principals would not however assure the approval of that Scheme by VRL Shareholders, noting that it also needs to approved by at least a simple majority of VRL Shareholders by number present and voting at the Structure B Scheme Meeting, representing at least 75% of votes cast.

2.6 The Restructure Event in the Structure B Scheme

Under the Structure B Scheme, any Retaining Shareholder will become party to the VRL Shareholders' Deed. The VRL Shareholders' Deed contains provisions under which BidCo or a shareholder who individually holds or collectively with other shareholders hold 7.5% of VRL Shares after implementation of the Structure B Scheme can initiate a Restructure Event. Under the Restructure Event, a Retaining Shareholder will be required to sell their Retained Shares in exchange for HoldCo Shares or a combination of cash and HoldCo Shares (or just cash in certain circumstances where it is considered impractical to offer HoldCo Shares, eg. due to the application to the Retaining Shareholder of foreign securities laws). The cash consideration will be the Structure B Cash Consideration less $0.10 per Retained Share.

a. Why is there a Restructure Event in Structure B?

Both BGH and the VRC Principals required that any transaction must either result in disaggregation of the VRC Group's shareholding in VRL or contain a pathway to disaggregation. Given the VRC Group and the VRC Principals currently own approximately 39.91% of VRL between them, any privatisation transaction needs to accommodate the VRC Principals' requirements in order to be successful.

Further details on disaggregation and why it is important to BGH, VRC and the VRC Principals are set out below.

The VRC Group, which is equally owned by each of the VRC Principals, currently owns approximately 33.77% of VRL. The Structure A Scheme delivers disaggregation of the VRC Group shareholding in VRL on Implementation. Specifically, under the Positive Sale Agreement the VRC Principals will receive cash or HoldCo Shares for their Positive Shares and VRC, via the Scheme, will acquire all the other VRL Shares not held by VRC or the VRC Principals for cash and/or HoldCo Shares.

Under the Structure B Scheme, the Restructure Events provide a pathway to disaggregation should either BidCo, the VRC Principals or any other eligible Retaining Shareholder choose to pursue it. VRC has informed the Independent Directors that it intends to make an Election under the Structure B Scheme so that it will retain all of its VRL Shares if the Structure B Scheme is implemented. If a Restructure Event occurs, it would then be open to VRC, as an eligible Retaining Shareholder, to nominate that BidCo acquire its VRL Shares by acquiring all of the shares in Positive or the VRC Group, rather than those VRL Shares directly from VRC. If this occurs, the disaggregation objective will be satisfied.

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Given the impact of COVID-19 on VRL, and given that the Structure B Scheme was priced at a discount to the Structure A Scheme, the IBC was also conscious that some Shareholders may prefer to "wait and see" how VRL recovers before deciding whether to accept a cash proposal for their shareholdings. The Restructure Event provides a mechanism under which shareholders may opt to retain all of their VRL Shares at the time of Implementation of the Structure B Scheme, but retain the capacity to realise cash for up to 50% of those holdings within 6-12 months after the Implementation Date if the impact of COVID-19 is different to that which they previously anticipated, albeit at a $0.10 cents per share discount to the Structure B Cash Consideration.

b. Why is the Restructure Event priced at $0.10 per share less than the Structure B Cash Consideration?

This is a result of a commercial negotiation between BidCo and the Independent Board Committee.

The Restructure Event effectively confers a put option on VRL Shareholders who collectively own 7.5% of VRL Shares after implementation of the Structure B Scheme. BidCo was of the view that the cash consideration for the Restructure Event should take into account the uncertainty in respect of VRL's Businesses for the period up to when the Restructure Event completes, particularly having regard to the inherent risks in VRL's businesses and uncertainties in relation to COVID-19.

Recognising BidCo's commercial requirements, the Independent Board Committee negotiated that the ability to receive cash under the Restructure Event apply to a maximum of 50% of each Retaining Shareholder's shares and at a $0.10 per share discount to the Structure B Cash Consideration.

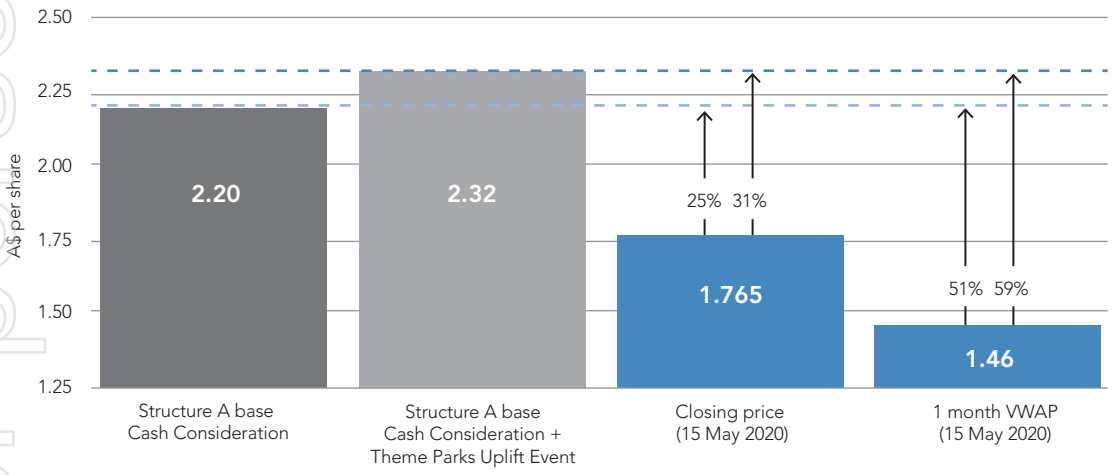
2.7 Key reasons for Independent Directors' recommendation

a. The base Cash Consideration of $2.20 per Share (under the Structure A Scheme) or $2.10 per Share (under the Structure B Scheme) represents an attractive premium including having regard to the financial and operational impact of COVID-19

The base Cash Consideration of $2.20 per Share under the Structure A Scheme represents:

- a 25% premium to VRL's closing price of A$1.765 on Friday, 15 May 2020 (being the last day before the Company released the ASX announcement entitled "Village Roadshow Enters Into Exclusive Discussions with BGH"); and
- a 51% premium to the A$1.460 VWAP from 19 March 2020 (being the day on which the Company released the ASX announcement entitled "Update on COVID-19 Response") to the end of trading Friday, 15 May 2020,

in each case recognising that prior to this date VRL Shares were not trading on an undisturbed basis as there was public knowledge of two separate non-binding indicative private equity offers for VRL.



The base Cash Consideration of $2.10 per Share under the Structure B Scheme represents:

- a 19% premium to VRL's closing price of A$1.765 on Friday, 15 May 2020 (being the last day before the Company released the ASX announcement entitled "Village Roadshow Enters Into Exclusive Discussions with BGH"); and
- a 44% premium to the A$1.460 VWAP from 19 March 2020 (being the day on which the Company released the ASX announcement entitled "Update on COVID-19 Response") to the end of trading Friday, 15 May 2020,

in each case recognising that prior to this date VRL Shares were not trading on an undisturbed basis as there was public knowledge of two separate non-binding indicative private equity offers for VRL.

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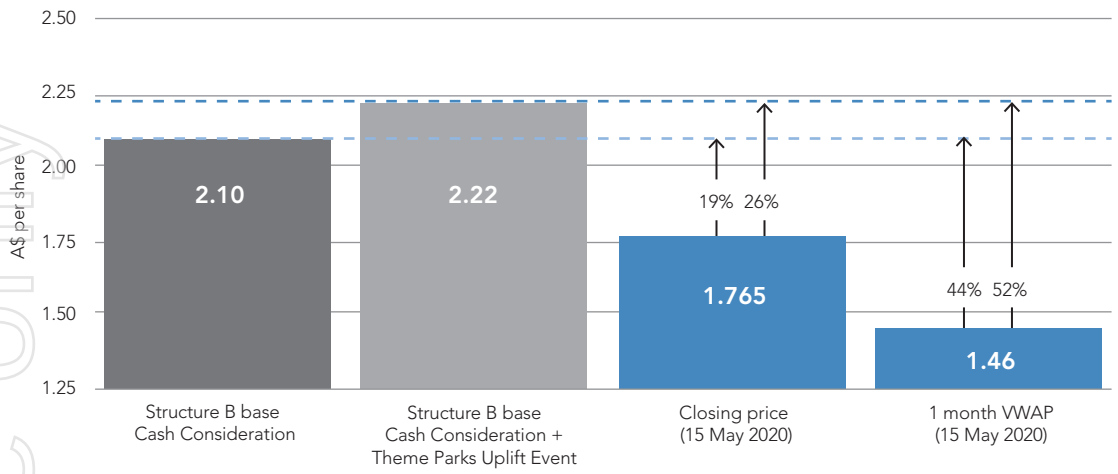

b. The base Cash Consideration of $2.20 per Share (under the Structure A Scheme) or $2.10 per Share (under the Structure B Scheme) provides you with certainty of value for your VRL Shares and a high degree of certainty on timing for receipt of the Cash Consideration, against a very uncertain operating environment

Both the Structure A Cash Consideration and the Structure B Cash Consideration provide certainty of value for your VRL Shares (subject to Either Alternative Scheme becoming Effective) and the opportunity for you to realise certain value in the near term which may not be achieved if Either Alternative Scheme does not proceed. The certainty of the Cash Consideration should be compared with the risks and uncertainties of remaining a VRL Shareholder if Either Alternative Scheme does not proceed, which include the risks set out in Section 9. Those risks include the challenging operating environment and uncertain outlook caused by COVID-19.

The certainty of the Cash Consideration offered under Either Alternative Scheme should also be compared with the risks and uncertainties of electing to receive HoldCo Shares (under the Structure A Scheme) or electing to retain all of your VRL Shares (under the Structure B Scheme), which include the risks set out in Section 9.

If Either Alternative Scheme does not proceed, the VRL share price is likely to fall and you will be exposed to possible underperformance of the VRL Group, including potential underperformance of its existing and planned strategic initiatives as well as continued business disruptions as a result of COVID-19.

c. There is scope for the base Cash Consideration under Each Alternative Scheme to be increased by $0.12 cash per share if the Theme Parks Uplift Event occurs. If the Theme Parks Uplift Event does not occur, it will be because Government regulations relating to COVID-19 are continuing to impact the operation of VRL's businesses through theme park closures

The base Cash Consideration of $2.20 cash per Share under the Structure A Scheme or $2.10 per Share under the alternative Structure B Scheme may be increased by additional Cash Consideration of $0.12 per Share if the Warner Bros. Movie World and the Sea World theme parks are open to the public for a period of 5 consecutive Business Days ending at 4.00pm on the day that is 11 days prior to the Proxy Cut-Off Date[8] (**Theme Parks Uplift Event**).

The Theme Parks Uplift Event applies to Each Alternative Scheme and is described in further detail in Sections 7.3 and 8.3. All VRL Shareholders are eligible to receive the potential benefit of the Theme Parks Uplift Event outlined above.

As at the Last Practicable Date, the Warner Bros. Movie World and the Sea World theme parks are open to the public. If those theme parks remain open to the public for a period of 5 consecutive Business Days ending at 4.00pm on the day that is 11 days prior to the Proxy Cut-Off Date, the Theme Parks Uplift Event will be satisfied. In that case, the Cash Consideration under the Structure A Scheme will increase from $2.20 per Share to $2.32 per Share and the Cash Consideration under the Structure B Scheme will increase from $2.10 per Share to $2.22 per Share.

VRL expects to make an ASX announcement as soon as practicable on the day that is 11 days prior to the Proxy Cut-Off Date advising whether the requirements for the Theme Parks Uplift Event have been met.

For completeness, the Implementation Agreement also provided for two additional uplifts, the first uplift being an additional Cash Consideration of $0.08 per Share if a majority of the Cinemas business locations (representing 75% of Cinemas business revenue in FY19) were open to the public for a period of 5 Business Days ending at 4.00pm on the day that is 11 days prior to the Proxy Cut-Off Date and there were no significant changes to the expected movie slate for the remainder of FY21 (**Cinema Uplift Event**). As announced to ASX on 25 September 2020, VRL has been informed that the scheduled release for cinema exhibition in Australia of three films in the list of titles agreed by VRL and BGH on 6 August 2020 has been deferred into the financial year ending 30 June 2022. That position continues as at the Last Practicable Date and the IBC considers it is highly improbable that these deferrals will be reversed or will be capable of being offset by new films of a sufficient magnitude being added to the expected movie slate for the remainder of FY21 to neutralise the effect of these deferrals. As a result, the IBC considers it is highly improbable that the requirements for the Cinema Uplift Event will be met.

8 Disregarding temporary closures for weather related events, cleaning or analogous purposes in accordance with the requirements of any Government Agency.

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The second uplift relates to an additional Cash Consideration of $0.05 per Share if there were no border control measures imposed by the Queensland Government prohibiting any person from entering Queensland from New South Wales on 15 October 2020 and prohibiting any person from entering Queensland from Victoria on 31 October 2020 (**Border Uplift Event**). Further to the announcement by the Queensland State Government on 2 October 2020, border control measures prohibiting any person from entering Queensland from New South Wales will be in place until at least 1 November 2020, after the upcoming Queensland State election. On 7 October 2020, VRL, VRC and BidCo agreed to amend the Implementation Agreement so that the relevant date for New South Wales border control measures would be 1 November 2020 and the relevant date for Victoria border control measures would be 15 November 2020. Despite this, the IBC considers that it is unlikely that the requirements for the Border Uplift Event will be met, particularly given the current COVID-19 restrictions in place in Victoria. If the requirements for the Border Uplift Event are satisfied, VRL will make an ASX announcement as soon as practicable on Monday, 16 November 2020, being the first business day after 15 November 2020.

d. The Cash Consideration under Each Alternative Scheme provides VRL Shareholders with access to full liquidity in circumstances where some VRL Shareholders may presently face limited opportunities to achieve full liquidity in respect of their VRL Shares

The market for VRL Shares is relatively illiquid.

Since the removal of Village Roadshow Limited A Class Preference Shares from Official Quotation on 9 December 2010 up to VRL Group announcing its entry into the Implementation Agreement on 6 August 2020, total daily trading volume for VRL Shares has only exceeded 1% of total VRL Shares on issue on twelve occasions. The relative illiquidity of VRL Shares can be largely explained by the fact that between them, the VRC Group and the VRC Principals own approximately 39.91% of the VRL Shares on issue.

The base Cash Consideration under Each Alternative Scheme of $2.20 or $2.10 per VRL Share provides VRL Shareholders (other than those who make a valid Election for the equity alternative) with access to full liquidity in circumstances where some VRL Shareholders may presently face limited opportunities to achieve full liquidity in respect of their VRL Shares, or may only do so at discounts to the applicable prevailing share price.

e. The ability to elect to receive HoldCo Shares (under the Structure A Scheme) or to retain all of your VRL Shares (under the Structure B Scheme) allows you to maintain an indirect or direct interest in the privatised VRL, subject to the risks of doing so

Each Alternative Scheme provides flexibility for eligible VRL Shareholders to elect to receive HoldCo Shares (under the Structure A Scheme) or to retain all of their VRL Shares (under the Structure B Scheme), and thereby maintain an ownership interest in the VRL Group business following implementation of Either Alternative Scheme (noting that the extent of this interest could be diluted if any scale-back applies).

Eligible VRL Shareholders who make a valid Election will:

- under the Structure A Scheme, receive HoldCo Shares for some or all of their VRL Shares held as at the Scheme Record Date (subject to a possible scale-back as described in Sections 1.2 and 7.2); or
- retain their VRL Shares held as at the Scheme Record Date (subject to a possible scale-back as described in Sections 1.2 and 8.2) under the Structure B Scheme (noting that VRL Group will be delisted after the Implementation Date).

Details of the Australian taxation consequences for Australian resident VRL Shareholders who hold their shares on capital account and who make a valid Election under Either Alternative Scheme are set out in Section 10. You should read this Scheme Booklet in full before making an Election under Each Alternative Scheme or Either Alternative Scheme. In particular, you should carefully read Sections 7, 8, 9, 10 and the Independent Expert's Report, a copy of which is included in Appendix 1. You should obtain appropriate legal, financial, tax or other professional advice before making any Election.

f. The Independent Expert has concluded that Each Alternative Scheme is 'fair and reasonable' and therefore in the best interests of VRL Shareholders

VRL Group appointed Grant Samuel to prepare an Independent Expert's Report, including an opinion as to whether Each Alternative Scheme is in the best interest of VRL Shareholders.

The Independent Expert has stated the following:

"Grant Samuel has estimated a full underlying value for Village, including a premium for control, in the range $397-547 million, which corresponds to a value of $2.03-2.80 per share.

The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Village shares to trade on the ASX in the absence of a takeover offer (or speculation as to an offer). The valuation is set out in detail in Section 5 of this report.

Grant Samuel has attributed a likely value to the consideration under the Transaction of $2.32 per share for Structure A and $2.22 per share for Structure B. The estimated value of the consideration falls within the valuation range for Village. Accordingly, in Grant Samuel's opinion, the Transaction is fair and reasonable and in the best interests of Village shareholders, in the absence of a higher offer.

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It is possible that unexpected developments in relation to the COVID-19 pandemic could affect whether the Theme Parks uplift will ultimately be payable. In particular, in the hypothetical event that adverse COVID-19 related developments in Queensland were to result in the closure of the theme parks such that the Theme Parks Uplift were no longer payable, the value of Village would also be expected to fall, broadly in line with the reduction in the value of the contingent consideration. Grant Samuel's conclusions as to fairness would not be affected.

As the Transaction is fair, it is by definition reasonable. Given the passage of time since proposals for an acquisition of Village were made in December 2019, the prospects of a higher offer from a third party appear remote. In the absence of a change of control proposal for Village, Grant Samuel expects that Village shares would trade at prices well below the value of the consideration under the Transaction"[9]

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Appendix 1. The Independent Directors encourage you to read this report in its entirety.

g. No Superior Proposal has emerged as at the date of this Scheme Booklet, despite VRL having undertaken an extensive process to maximise shareholder value and evaluate numerous alternatives and proposals

The VRL Group announced the receipt of a revised non-binding indicative proposal from BGH on 15 May 2020 in the ASX announcement entitled "Village Roadshow Enters Into Exclusive Discussions with BGH". This announcement followed a broad and rigorous process managed by UBS and Stratford Advisory Group over approximately five months which included progressing two potential private equity acquirers (PEP and BGH) through a detailed due diligence process.

Since the VRL Group's announcement of the revised BGH proposal on 15 May 2020 and since the subsequent announcement on 6 August 2020 that the VRL Group had entered into an Implementation Agreement with BGH, no Superior Proposal has emerged and the Board are not aware of, and have not received, any Superior Proposal.

Furthermore, since the VRL Group's announcement on 19 December 2019 regarding the receipt of an initial unsolicited, non-binding indicative proposal from PEP, the possibility of a privatisation transaction has been widely publicised and no Superior Proposal has emerged.

h. If Either Alternative Scheme does not proceed and no Superior Proposal emerges VRL's share price may fall and VRL will require a significant amount of equity capital in the near term

If Either Alternative Scheme does not proceed, VRL Shares will remain quoted on the ASX and will continue to be subject to market volatility, including as a result of general stock market movements, and the impact of general economic conditions including the ongoing impact of COVID-19. Accordingly, the Independent Directors believe that if the Either Alternative Scheme does not proceed and no alternative proposal emerges that is comparable to the consideration offered under Either Alternative Scheme; it is possible that the trading price of a VRL Share on the ASX may fall.

The Independent Expert has stated that:

"The Transaction enables shareholders to realise their investment in Village at a price which incorporates a premium for control. In the absence of the Transaction or a similar transaction, shareholders could only realise their investment by selling on market at a price which does not include any premium for control and would incur transaction costs (e.g. brokerage).

Absent the Transaction, Village would remain fundamentally exposed to the COVID-19 "exit path", both in Australia and internationally. Accordingly, Grant Samuel expects that Village shares would trade at prices well below the value of the consideration under the Transaction, in the absence of the Transaction or some similar change of control proposal for Village. It is likely that pressure on the Village share price would be exacerbated by a market expectation that Village would need to raise potentially significant amounts of new equity. The structure and pricing of such an equity raising would depend on market conditions at the time. Given the potential quantum of any equity raising and the structure of Village's share register, it is likely that any new share issue would be at deeply discounted prices and potentially dilutive for existing shareholders"[10]

In coming to this conclusion, the Independent Directors observed that in the period between 19 March 2020 (being the day on which the Company released the ASX announcement entitled "Update on COVID-19 Response") and Friday, 15 May 2020 (being the last day before the Company released the ASX announcement entitled "Village Roadshow Enters Into Exclusive Discussions with BGH"), the trading price of a VRL Share fell as low as $0.77 per Share.

9 Pages 71-72 of Independent Expert's Report.
10 Page 73 of Independent Expert's Report.

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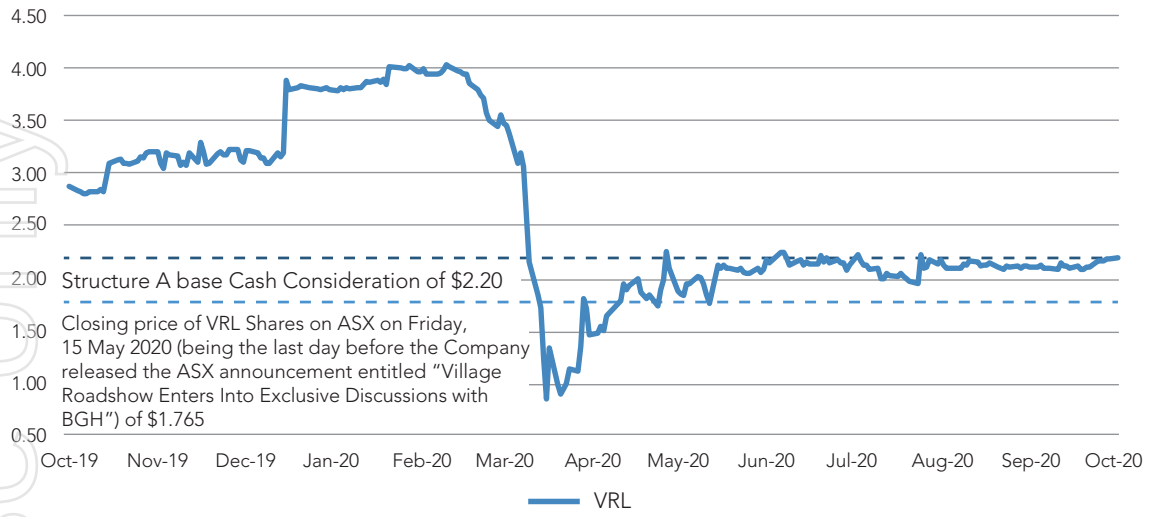

As announced by the VRL Group on 6 August 2020 (in the ASX announcement entitled "New Financing"), in securing additional funding of $70 million from its existing lenders and the Queensland Treasury Corporation, the VRL Group has given an undertaking to raise a minimum of $35 million through new shareholder equity or equity like instruments. This must be completed by the earlier of the Company's half year announcement (in February 2021) or three months after the termination of a transaction with BidCo.

The Independent Directors believe that a successful equity raising would ultimately have to solve for the long term capital structure of the VRL Group as a public company. With this in mind, if the VRL Group remained publicly listed, any equity raising will need to solve for an appropriately strong balance sheet post the impact of COVID-19 (i.e. by June 2022). The Independent Directors believe the quantum of any equity raising could potentially be substantially higher than $35 million, such that shareholders are satisfied the company has sufficiently reduced its debt levels and improved its gearing ratios.

For reasons stated above, the Independent Directors believe the current trading price of VRL Shares reflects a premium for the Proposed Transaction. It is likely that if Each Alternative Scheme does not proceed, the share price will immediately be adjusted downwards. The quantum of this adjustment is difficult to forecast given the heightened market volatility observed in 2020 and the extended period the VRL Group has been subject to a potential privatisation transaction – since 19 December 2019, being the day on which the Company released the ASX announcement entitled "Receipt of Indicative Proposal".

The Independent Directors believe that for an equity raising to be successful, it would need to be undertaken at a discount to the applicable prevailing share price. Furthermore, in a situation where the VRC Group does not take up their full entitlement and the equity raising requires material new investor demand, this discount to the applicable prevailing share price may increase. The VRL Group pursuing an equity raising may have the effect of diluting VRL Shareholders if they do not take up their rights in a rights issue or do not participate in a placement.

i. If Either Alternative Scheme does not proceed, and no Superior Proposal emerges, VRL Shareholders will continue to be subject to the specific risks associated with VRL's business including risks related to COVID-19 and general market risks

The Structure A Scheme provides VRL Shareholders (other than the Excluded Shareholders) with the opportunity to realise certain value of at least $2.20 cash for each VRL Share. The Structure B Scheme provides all VRL Shareholders with the opportunity to realise certain value of at least $2.10 cash for each VRL Share. The base Cash Consideration under Either Alternative Scheme may be increased if the Theme Parks Uplift Event described in Section 2.7(c) applies. The Independent Directors have evaluated the risks and benefits of the VRL Group continuing as a standalone publicly listed business against the base Cash Consideration under Each Alternative Scheme. In deciding to unanimously recommend Each Alternative Scheme, the Independent Directors have decided that on balance, the value and certainty provided by the base Cash Consideration under Each Alternative Scheme provides greater benefit to VRL Shareholders than retaining their shares in a publicly listed VRL Group.

The VRL Group's business strategy is to build a world-class portfolio of entertainment assets to generate sound returns, a sustainable competitive advantage and enduring value for all stakeholders. However, the successful execution of the VRL Group's business strategy involves managing a number of general market risks, industry risks and Company specific risks. These include:

a. COVID-19 and future pandemic risks;
b. changes in industry and consumer choice, including economic conditions, content produced, decline in physical home entertainment market, competition, structural changes within the film industry, film acquisition and product availability and film production volatility;
c. financial risk management, including forex risk, interest rate risk, credit risk, liquidity risk;
d. risks with theme park operations, including tourism, adverse weather, serious injury and/or fatalities and acceptance of pricing strategies;
e. litigation and legal dispute risks;
f. taxation risks;
g. changes in government policy, regulation and accounting/taxation standards risk;

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h. additional requirement for capital risk;
i. key personnel risk;
j. lack of dividends risk; and
k. development and subsequent operation risk.

Please refer to Sections 9.2 and 9.3 for more information regarding these risks.

If Either Alternative Scheme does not proceed, VRL Shareholders will continue to be exposed to these and other risks inherent in the VRL Group's business and the potential impact of these risks on both the price of VRL Shares and the fundamental value of the business. On the other hand, if Either Alternative Scheme proceeds, you would have the option to receive entirely Cash Consideration on the Implementation Date (currently proposed to be Wednesday, 16 December 2020), thereby eliminating any continuing investment exposure to these risks.

j. No transaction costs on the disposal of your VRL Shares under Either Alternative Scheme

Each Alternative Scheme provides an opportunity for you to sell all your VRL Shares at once with no associated brokerage costs, which may otherwise be incurred if you sought to sell all of your VRL Shares on market.

2.8 Potential disadvantages of Each Alternative Scheme

There are some potential reasons to vote against Each Alternative Scheme that VRL Shareholders should consider in deciding how they should vote at the Scheme Meetings.

a. You may disagree with the Independent Directors' recommendation and the Independent Expert's conclusion and believe that neither the Structure A Scheme nor the Structure B Scheme is in your best interests

Despite the unanimous recommendation of the Independent Directors to vote in favour of Each Alternative Scheme and the conclusion of the Independent Expert that Each Alternative Scheme is fair reasonable and therefore in the best interests of VRL Shareholders, you may believe that Each Alternative Scheme is not in your best interests.

b. Each Alternative Scheme carries risks that you may consider unacceptable

In considering Each Alternative Scheme, you should be aware that there are a number of risk factors both general and specific associated with Each Alternative Scheme which you may consider unacceptable.

You should read the general outline of the risk factors for VRL Shareholders in relation to Each Alternative Scheme in Section 9. The risk factors in Sections 9.2 to 9.4 inclusive will apply to VRL Shareholders who elect to receive HoldCo Shares (under the Structure A Scheme) or who elect to retain all of their VRL Shares (under the Structure B Scheme).

c. You may believe that there is potential for a Superior Proposal to be received in the foreseeable future. If Either Alternative Scheme proceeds, this precludes the possibility of receiving the benefit of any potential Superior Proposal for your VRL Shares (noting that no Superior Proposal from another party has been received as at the date of this Scheme Booklet)

You may consider that a Superior Proposal could emerge in the future. As at the date of this Scheme Booklet, your Independent Directors are not aware of, and have not received, any Superior Proposal despite having undertaken an extensive process to maximise shareholders value (which started in December 2019 following receipt of the initial conditional, non-binding and indicative proposal from PEP) and having evaluated numerous alternatives (see Section 2.9(a)).

d. You will lose the ability to participate in any potential upside that may result from maintaining your investment in VRL (unless you elect to receive HoldCo Shares under the Structure A Scheme or elect to retain all of your VRL Shares under the Structure B Scheme and the pre-conditions to either Election are satisfied)

If Either Alternative Scheme proceeds, you will cease to be a shareholder of the VRL Group as an independent ASX listed company. In these circumstances, you will lose the ability to participate in any potential upside that may result from maintaining your direct investment in VRL Group. However, as with all investments in securities, there can be no guarantee as to VRL Group's future performance if it remains an independent ASX listed company.

This potential disadvantage is attenuated to some extent by the ability of VRL Shareholders to elect to receive equity consideration under Either Alternative Scheme. Specifically:

- under the Structure A Scheme, VRL Shareholders may elect to receive either:
  - in relation to 50% of their Structure A Scheme Shares, Scheme Consideration in the form of HoldCo Shares and in relation to the remainder of their Structure A Scheme Shares, Scheme Consideration in the form of cash; or
  - in relation to 100% of their Structure A Scheme Shares, Scheme Consideration in the form of HoldCo Shares; or
- under the Structure B Scheme, VRL Shareholders may elect to retain 100% of their Structure B Scheme Shares and not transfer those shares to BidCo under the Structure B Scheme.

Elections under the Structure A Scheme are subject to valid Elections being received in excess of the Structure A Share Floor and also to scale back if valid Elections are received in excess of the Structure A Share Cap. Elections under the Structure B Scheme are subject to scale back if valid Elections are received in excess of the Retention Cap.

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e. The taxation implications of Each Alternative Scheme may not suit your financial position

If Either Alternative Scheme proceeds, it will potentially result in Australian taxation consequences (including Australian income taxation consequences) for VRL Shareholders, which may arise earlier than may otherwise be the case.

You should read the general outline of the taxation implications for VRL Shareholders in relation to Each Alternative Scheme in Section 10. VRL Shareholders should seek their own professional advice regarding the taxation implications relevant to them.

You should also note that even if Each Alternative Scheme does not proceed, Australian taxation consequences (including Australian income taxation consequences) may arise at any future time that you sell or otherwise dispose of your VRL Shares.

2.9 Other relevant considerations

a. Alternatives considered by the Independent Board Committee

The IBC conducted an extensive review of a range of alternatives available to the VRL Group. In evaluating these alternatives, the IBC had regard to the challenging operating environment and a number of key factors which continue to adversely impact the VRL Group's near and medium term outlook, including:

- reduced operating capacity of the VRL Group's two core businesses (Theme Parks and Cinemas) resulting from Government-imposed COVID-19 social distancing restrictions;
- the significant adverse impact on the VRL Group's businesses of the current limitations on domestic and international travel via the closures of select Australian State borders and Australia's International Border given the importance of tourism and international visitors to its Theme Parks business in particular;
- uncertainty around future demand for the VRL Group's services normalising to the levels observed prior to the impact of COVID-19 if there is a significant change in the behaviour of customers or their spending habits;
- a risk that the VRL Group will have insufficient capital to meet operational and financial requirements if COVID-19 or other currently unforeseen circumstances result in more adverse outcomes for the VRL Group than is currently forecast;
- meeting ongoing capital demands for the maintenance and growth of the VRL Group's businesses (e.g. constructing new rides at the VRL Group's Gold Coast Theme Parks) with constrained liquidity and increased debt levels (however this has been attenuated to some extent by the additional short term funding of $70m secured from existing lenders and the Queensland Treasury Corporation);
- general market conditions in the entertainment sector in which the VRL Group operates which indicate a reduction in the overall level of consumer discretionary expenditure; and
- the downward pressure on earnings and share price performance of VRL Shares and other comparable companies on ASX that are exposed to similar macroeconomic trends as the VRL Group.

In addition to the announced cost reduction strategies the VRL Group has implemented to reduce the financial impact during business closure and the additional short term debt funding secured from existing lenders and the Queensland Treasury Corporation, the IBC considered other alternatives to ensure the VRL Group is in a strong financial position to trade through and emerge from its challenging operating environment. In addition to Either Alternative Scheme, other key alternatives that were assessed by the IBC included VRL remaining as a publicly listed company and:

- raising additional equity capital; and
- raising additional debt or structured hybrid financing.

The IBC determined that Either Alternative Scheme would deliver a superior outcome for VRL Shareholders relative to the uncertainty of the alternatives considered. Either Alternative Scheme delivers both certainty and immediate value for VRL Shareholders, for the following reasons:

- although an equity raising by the VRL Group may be underwritten, there is a risk that an equity raising does not complete, leaving the VRL Group unable to comply with requirements imposed by its existing debt providers in the short-term. Such an outcome could result in an event of default under VRL Group's funding arrangements, requiring the VRL Group to refinance its debt facilities or to access alternative debt or equity financing;
- the VRL Group's share price may substantially decline in the period leading up to any potential equity raising, resulting in the VRL Group potentially being unable to raise a sufficient amount of equity capital to comply with requirements imposed by the VRL Group's existing debt providers and fund its operations going forward;
- an equity raising structured without pro-rata rights to VRL Shareholders will dilute the interests of VRL Shareholders who are not provided with an opportunity to participate. The extent of this dilution may increase if the VRL Group's share price declines in the lead up to any potential equity raising;
- given the VRL Group's existing high level of indebtedness, additional debt funding would likely be achieved on terms materially less favourable to the VRL Group than its existing debt financing; and
- any additional debt raised by the VRL Group may cause it difficulty in meeting its financial obligations if it continues to operate on a neutral to slightly positive free cash flow basis (before capital expenditure) for an extended period of time as the VRL Group's businesses recover. This would substantially constrain the VRL Group's ability to invest in its core businesses.

Having regard to the above considerations as well as the uncertain outlook for the VRL Group's businesses, the Independent Directors unanimously concluded that Either Alternative Scheme is the most attractive option available to the business and to VRL Shareholders as a whole, and is superior to the other alternatives considered.

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b. Each Alternative Scheme is subject to conditions

In addition to the need to obtain Shareholder approval and Court approval, the Structure A Scheme and the Structure B Scheme are each subject to their own specific Conditions. The Conditions to Each Alternative Scheme overlap to a large extent, however, there are some Conditions which are applicable only to the Structure A Scheme or the Structure B Scheme. The Conditions are summarised below. They are set out in full in the Implementation Agreement.

All Conditions need to be satisfied (or alternatively waived, in the case of certain Conditions that are capable of being waived) in order for Either Alternative Scheme to proceed.

Conditions applicable to Each Alternative Scheme

- **ASIC, ASX and other Governmental Agency** consents, waivers, release or approvals as are necessary or desirable – these need to be obtained and remain in place as at the morning of the Second Court Date. BidCo has received FIRB approval in connection with Each Alternative Scheme.
- **No change of IBC voting recommendation** – no member of the IBC changes, qualifies or withdraws their positive voting recommendation.
- **No VRL Prescribed Occurrences** between 6 August 2020 and the morning of the Second Court Date – the prescribed occurrence events mainly relate to changes to VRL's capital structure, payment of dividends, asset disposal and insolvency type events. These prescribed occurrence events are subject to exclusions including for matters fairly disclosed in public filings, fairly disclosed to BidCo Group during its due diligence process, required to be done under the Implementation Agreement or done with BidCo Group's prior approval.
- **VRL Warranties** – the warranties provided by VRL under the Implementation Agreement remain true and correct in all material respects as at the morning of the Second Court Date. VRL provides various warranties relating to its good standing, authority to enter into and perform its obligations under the Implementation Agreement, compliance in all material respects with applicable laws, the preparation of this Scheme Booklet and its compliance with applicable legal requirements, its capital structure, compliance in all material respects with its continuous disclosure obligations, the accuracy of the Due Diligence Materials, the level of advisory fees, its solvency, and its contractual arrangements with third parties. The VRL Warranties are qualified by matters fairly disclosed in the Due Diligence Materials, by matters ascertainable from public searches and by matters within the actual knowledge of specified executives of BGH.
- **VRL shareholder approval of Either Alternative Scheme** – this Condition is required by law and cannot be waived (at least a simple majority of eligible VRL shareholders (other than in the case of the Structure A Scheme, the Excluded Shareholders), by number present and voting at the meeting, representing at least 75% of the votes cast).
- **Court approval of Either Alternative Scheme** – this Condition is required by law and cannot be waived.
- **No Material Adverse Change** in relation to the VRL Group between 6 August 2020 and the morning of the Second Court Date. A Material Adverse Change is defined by reference to specific, objectively ascertainable events and embodies a number of market standard and specifically negotiated exclusions. For further details, please refer to the definition of Material Adverse Change in the Implementation Agreement.
- **Debt financing agreements** – all consents, approvals, waivers or variations under VRL's existing debt financing agreements are obtained on terms acceptable to BidCo acting reasonably and a financier has not exercised (or given notice of its intention to exercise) any of its rights as a result of any default or review event under any of those agreements.
- **Restraints** – no legal or regulatory restraint is in place that prevents or delays the Proposed Transactions contemplated by Structure A or B (as applicable) - this is standard for schemes of arrangement and again cannot be waived.

Additional conditions applicable only to the Structure A Scheme

- **Structure A Ancillary Agreements** – each of the Structure A Ancillary Agreements (as described in Section 7) has not been terminated or amended without VRL's consent (not to be unreasonably withheld or delayed); all conditions precedent to each such agreement are satisfied or waived (other than any condition which requires the Structure A Scheme to have become legally effective).
- **VRC Warranties** – the warranties provided by VRC under the Implementation Agreement remain true and correct in all material respects as at the morning of the Second Court Date. VRC provides various warranties relating to its good standing, authority to enter into and perform its obligations under the Implementation Agreement, compliance in all material respects with applicable laws, the accuracy of the information it will be contributing to the Scheme Booklet and its capacity to fund the payment of the Cash Consideration under the Structure A Scheme.
- **No VRC Group Prescribed Occurrences** between 6 August 2020 and the morning of the Second Court Date – these prescribed occurrences are confined to no insolvency event occurring in relation to the VRC Group.

Additional conditions applicable only to the Structure B scheme

- **Structure A Scheme approvals not obtained** – the Structure A Scheme is not approved by VRL Shareholders or the Court or is only approved by the Court on conditions that impose unduly onerous obligations on the parties.
- **Structure B Shareholders' Deed** – the Structure B Shareholders' Deed for HoldCo has not been terminated or amended without VRL's consent (not to be unreasonably withheld or delayed).

- **BidCo Warranties** – the warranties provided by BidCo under the Implementation Agreement remain true and correct in all material respects as at the morning of the Second Court Date. BidCo provides various warranties relating to its good standing, authority to enter into and perform its obligations under the Implementation Agreement, compliance in all material respects with applicable laws, the accuracy of the information it has contributed to this Scheme Booklet and its capacity to fund the payment of the Cash Consideration under the Structure B scheme.
- **No HoldCo Prescribed Occurrences** between 6 August 2020 and the morning of the Second Court Date – these prescribed occurrences are confined to no insolvency event occurring in relation to HoldCo.

Your Independent Directors have reviewed the Conditions for Each Alternative Scheme and do not consider them to be unduly onerous or inconsistent with market practice for a transaction of this nature. As at the date of this Scheme Booklet, your Independent Directors are not aware of any matter that would result in a breach or non-fulfilment of any of the Conditions for Each Alternative Scheme.

c. Each Alternative Scheme delivers an 'all or nothing' outcome

If all of the Scheme Conditions are satisfied or waived (as applicable):

- it will bind all persons registered as VRL Shareholders (other than in the case of the Structure A Scheme, the Excluded Shareholders) as at the Scheme Record Date for the Relevant Scheme (being Scheme Shareholders), including those who were not present at the Scheme Meetings, those who did not vote on Either Alternative Scheme and those who voted against the Relevant Scheme, meaning that all persons who are Scheme Shareholders in respect of the Relevant Scheme will relinquish ownership of their VRL Shares (unless in the case of the Structure B Scheme they have made an Election to retain all of their VRL Shares) and will be entitled to receive the Scheme Consideration under the Relevant Scheme; and
- VRL will become directly or indirectly wholly owned by the BidCo Group and will be delisted from ASX.

Conversely if all of the Scheme Conditions are not satisfied or waived (as applicable), the status quo will be preserved, meaning that:

- VRL Shareholders will retain all of their Shares;
- neither the HoldCo Shareholders' Deed nor the VRL Shareholders' Deed would come into effect;
- the existing VRL Board will continue to operate VRL's business;
- the expected advantages of Either Alternative Scheme, as outlined in Section 2.7, will not be realised and equally some of the potential disadvantages, as outlined in Section 2.8, will no longer be relevant; and
- VRL Shareholders will retain their current investment in VRL Shares and in doing so will continue to retain the benefits of that investment and continue to be exposed to the risks associated with that investment. Those risks include ones that are specific to VRL's business (see Sections 9.2 and 9.3).

d. Transaction costs

VRL Shareholders

If Either Alternative Scheme proceeds, VRL Shareholders will not be required to pay any brokerage charges on the disposal of their VRL Shares under the Relevant Scheme.

VRL

As at the date of this Scheme Booklet, VRL has incurred (or expects to incur) costs of approximately $7.007 million (excluding GST) in developing Each Alternative Scheme to the point that it is capable of being submitted to VRL Shareholders as a formal offer for their consideration. These costs include negotiations with BGH, the retention of advisers, engagement of the Independent Expert and preparation of this Scheme Booklet.

If neither the Structure A Scheme nor the Structure B Scheme proceeds and no Superior Proposal is implemented, VRL 's results for the financial year ending 30 June 2021 will be negatively impacted by the transaction costs incurred in proposing Each Alternative Scheme. Those transaction costs may also impact the capacity of VRL to pay a dividend or the amount of any dividend in FY2021 and potentially in subsequent financial years.

e. Exclusivity arrangements

The following is a summary of the exclusivity arrangements agreed to in the Implementation Agreement. The full terms of these exclusivity arrangements are set out in the Implementation Agreement.

No shop

During the Exclusivity Period, VRL must not and must ensure that its Related Bodies Corporate and any of the Authorised Persons of VRL or any of its Related Bodies Corporate do not, except with the prior written consent of BidCo, directly or indirectly solicit, invite or initiate any Competing Proposal or any enquiries, negotiations or discussions with any third party in relation to, or that may reasonably be expected to lead to, a Competing Proposal or communicate any intention to do any of those things.

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No talk

During the Exclusivity Period, VRL must not and must ensure that none of its Related Bodies Corporate nor any of their Authorised Persons (whether directly or indirectly):

- negotiate or enter into or participate in negotiations or discussions with any person; or
- communicate any intention to do any of these things,

in relation to, or that may reasonably be expected to lead to, a Competing Proposal, even if the Competing Proposal was not solicited, invited, encouraged or initiated by VRL or even if that person has publicly announced the Competing Proposal.

No due diligence

Except with the prior written consent of BidCo, VRL must not, and must ensure that its Related Bodies Corporate and their respective Authorised Persons do not, directly or indirectly:

- solicit, invite, initiate, or encourage, or facilitate or permit, any person (other than BidCo or VRC) to undertake due diligence investigations in respect of VRL or any of its businesses and operations, in connection with such person formulating, developing or finalising a Competing Proposal; or
- make available to any person (other than BidCo or VRC) or permit any such person to receive any non-public information relating to VRL any of its businesses and operations, in connection with such person formulating, developing or finalising a Competing Proposal.

Notice of Competing Proposal

During the Exclusivity Period, VRL must promptly (and in any event, within 48 hours) notify VRC and BidCo of:

- any approach or attempt to initiate any negotiations or discussions with VRL, any of its Related Bodies Corporate or any of their respective Authorised Persons in respect of any inquiry, expression of interest, offer, proposal or discussion that could reasonably be expected to lead to a Competing Proposal including the identity of the person making the approach;
- the receipt of any proposal that could reasonably be expected to lead to a Competing Proposal including all material terms (including price, conditions precedent and timetable) and the identity of the person making the proposal; or
- the receipt of any request for information relating to VRL or any of its Related Bodies Corporate or any of their businesses or operations in connection with a current or future Competing Proposal including the identity of the person making such request and details of the request.

Exceptions to exclusivity provisions

The *No Talk* and *No due diligence* provisions do not apply if the VRL Board determines:

- where there is a written Competing Proposal, that after taking advice from its financial advisers, the Competing Proposal is or is reasonably likely to be a Superior Proposal; and
- after receiving legal advice, that failing to respond to that Competing Proposal may constitute a breach of the VRL Board's fiduciary or statutory duties,

provided that the Competing Proposal was not directly or indirectly solicited, invited or initiated by VRL, its Related Bodies Corporate or its Authorised Persons in a manner than would breach its obligations under the exclusivity arrangements in the Implementation Agreement.

The *Notice of approach* obligation does not apply where the VRL Board determines, in the case of any approach or attempt to initiate any negotiations or discussions with VRL, that after receiving legal advice, that failing to respond to that approach or that disclosing that approach to VRC and BidCo may constitute a breach of its fiduciary or statutory duties.

Matching right

Under the Implementation Agreement, if VRL receives a Competing Proposal and any Independent Director proposes to:

- change, withdraw or modify his or her recommendation of Either Alternative Scheme; or
- approve or recommend entry into any agreement, commitment or arrangement to implement the Competing Proposal,

VRL must ensure that no Independent Director does so unless:

- the Competing Proposal is bona fide and constitutes a Superior Proposal;
- VRL has provided VRC and BidCo with written notice of the material terms and conditions of the Competing Proposal, including the identity of any person making the Competing Proposal, the price, conditions and proposed timing of the proposal;
- VRL has given Bidder at least five Business Days after the provision of all of the material terms and conditions of the Competing Proposal (as described above) to provide a proposal that is equivalent or superior to the Competing Proposal; and
- BidCo has not within this period announced or provided to VRL a counterproposal that the VRL Board, acting in good faith, after consulting with its financial and legal advisers, determines would provide an equivalent or superior outcome to VRL Shareholders as a whole compared with the Competing Proposal.

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f. Break fee arrangements

Under the Implementation Agreement:

- VRL has agreed in certain circumstances to pay BidCo a break fee of $4.29 million (inclusive of GST) (**VRL Break Fee**);
- BidCo has agreed in certain circumstances to pay VRL a break fee of $4.29 million (inclusive of GST) (**BidCo Break Fee**); and
- VRC has agreed in certain circumstances to pay VRL a break fee of $4.29 million (inclusive of GST) (**VRC Break Fee**).

These break fee arrangements are summarised below.

VRL break fee

A break fee of $4.29 million (including GST) is payable by VRL to BidCo in any of the following circumstances:

- (**Competing Proposal succeeds**) between signing of the Implementation Agreement and the End Date, a Competing Proposal is publicly announced by VRL and within 12 months from that announcement, either the Competing Proposal is implemented or completed (but for this purpose, the reference to "10% or more" in paragraph (a) of the definition of "Competing Proposal" will be deemed to be a reference to "more than 20%") or the proponent of the Competing Proposal acquires at least 50% of VRL;
- (**Competing Proposal executed**) at any time before the Implementation Agreement is terminated, VRL enters into an agreement with the proponent of a Competing Proposal under which that proponent and VRL agree to undertake or give effect to that Competing Proposal;
- (**Change of recommendation**) any Independent VRL Director changes or withdraws their public recommendation of the Structure A Scheme and the Structure B Scheme (as the context requires), except if the change or withdrawal of recommendation is because of:
  - an Independent Director subsequently determining (after obtaining written advice from independent senior counsel) that they have a material personal interest in the Proposed Transaction and should abstain from making a voting recommendation; or
  - a *negative* independent expert's opinion is received on the Scheme (other than where the reason for that opinion is a Superior Proposal or, in the case of the Structure B Scheme, due to the Structure A Scheme); or
- (**Material unremedied breach**) BidCo terminates the Implementation Agreement due to a material unremedied breach of the agreement by VRL or a material unremedied breach by VRL of a warranty it gives (other than the business/operational warranties covered by the Warranty and Indemnity Policy).

If the VRL Break Fee is paid, the liability of VRL under the Implementation Agreement is limited to the break fee, meaning that the payment of the VRL Break Fee would operate as BidCo's sole and exclusive remedy.

The VRL Break Fee is not payable:

- if BidCo terminates the Implementation Agreement due to a condition not being satisfied (apart from the No Change in Recommendation condition);
- merely because VRL shareholders do not approve Either Alternative Scheme;
- if the Independent Expert changes its opinion that Either Alternative Scheme is in the best interest of VRL Shareholders (other than where the reason for that change in opinion is a Competing Proposal; or
- if a Competing Proposal is unilaterally received or announced – in this event the VRL Break Fee only becomes payable if the IBC elects to change its recommendation (i.e. publicly supporting the Competing Proposal) or if the Competing Proposal *succeeds* within 12 months.

The VRL Break Fee is not payable if VRL becomes entitled to the BidCo Break Fee (see below).

BidCo Break Fee

A reverse break fee of $4.29 million (including GST) is payable by BidCo to VRL in any of the following circumstances:

- (Failure to provide Scheme Consideration) Either Alternative Scheme becomes Effective but BidCo or VRC fails to provide the Scheme Consideration; or
- (Other material unremedied breaches) VRL terminates the Implementation Agreement due to a material unremedied breach of the Implementation Agreement by BidCo or of a warranty by BidCo.

HoldCo guarantees BidCo's obligation to pay the BidCo Break Fee. The BidCo Break Fee is not payable if the VRC Break Fee is payable (see below).

VRL is only entitled to receive either the BidCo Break Fee or VRC Break Fee – not both. If either the BidCo Break Fee or the VRC Break Fee is paid, the liability of BidCo or VRC under the Implementation Agreement is limited to the break fee, meaning that the BidCo Break Fee or the VRC Break Fee operates as VRL's sole and exclusive remedy.

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VRC Break Fee

A reverse break fee of $4.29 million (inclusive of GST) is payable by VRC to VRL if VRL terminates the Implementation Agreement either due to:

- an unremedied material breach of the Implementation Agreement by VRC; or
- an unremedied material breach of a warranty provided by VRC.

The VRC Break Fee is not payable if the BidCo Break Fee is payable (see above).

VRL is only entitled to receive either the VRC Break Fee or the BidCo Break Fee – not both. The VRC Break Fee or the BidCo Break Fee operates as VRL's sole and exclusive remedy.

2.10 What are your options?

The following principal options are available to VRL Shareholders. Your Independent Directors encourage you to consider your personal risk profile, portfolio strategy, tax position and financial circumstances and seek professional advice before making any decision in relation to your VRL Shares.

Vote in favour of Each Alternative Scheme	**This is the course of action unanimously recommended by your Independent Directors, in the absence of a Superior Proposal.** To follow your Independent Directors' unanimous recommendation, you should vote in favour of Each Alternative Scheme at the Structure A Scheme Meeting and the Structure B Scheme Meeting. Even if Each Alternative Scheme is approved by VRL Shareholders at the Scheme Meetings only one Scheme can proceed. If all of the Conditions to the Structure A Scheme are satisfied or waived, then the Structure A Scheme will proceed. If all of the Conditions to the Structure B Scheme (which include the Structure A Scheme not being approved) are satisfied or waived, then the Structure B Scheme will proceed. It is important that you vote on BOTH the Structure A Scheme and the Structure B Scheme and irrespective of the outcome of the Structure A Scheme shareholder vote, in case the Structure A Scheme does not ultimately proceed due to all of its Conditions not being satisfied or waived. For a summary of how to vote on Each Alternative Scheme, please refer to Section 4.
Vote in favour of Each Alternative Scheme but do not make an Election under either Scheme	If you support Each Alternative Scheme and wish to receive the default Cash Consideration, you should vote in favour of Each Alternative Scheme but not make an Election under either Scheme.
Vote against Each Alternative Scheme	If, despite your Independent Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support Either Alternative Scheme, you may vote against the Structure A Scheme at the Structure A Scheme Meeting and against the Structure B Scheme at the Structure B Scheme Meeting. However, if all of the Scheme Conditions are satisfied or waived (as applicable), the Relevant Scheme will bind all persons registered as VRL Shareholders on the Scheme Record Date, including those who were not present at the Scheme Meeting, those who voted against the Scheme or those who did not vote.
Vote in favour of the Structure A Scheme but against the Structure B Scheme	Although this voting course is open, your Independent Directors' unanimously recommend that Shareholders who support the Structure A Scheme should also vote in favour of the Structure B Scheme despite its lower Cash Consideration, in case the Structure A Scheme does not ultimately proceed due to all of its Conditions not being satisfied or waived.
Vote against the Structure A Scheme but in favour of the Structure B Scheme	It is conceivable that some Shareholders may support the Structure B Scheme but not the Structure A Scheme, despite the Structure B Scheme offering lower default Cash Consideration. It is open for those Shareholders to vote in favour of the Structure B Scheme but against the Structure A Scheme. However, you should note that if all of the Conditions to the Structure A Scheme are satisfied or waived, then the Structure A Scheme will proceed.

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Make an Election under Each Alternative Scheme or Either Alternative Scheme, regardless of your voting intentions	Regardless of your voting intentions, you may wish to make an Election under Each Alternative Scheme or Either Alternative Scheme. In the absence of any Election, you will receive the default all Cash Consideration under Either Alternative Scheme, if either becomes Effective. To make an Election under Each Alternative Scheme or Either Alternative Scheme, please follow the instructions at pages 24 to 26. It is a matter for each eligible VRL Shareholder to decide whether or not to make an Election, having regard to their individual circumstances, financial situation, taxation position, investment objectives and risk profile. On those matters, Shareholders should form their own view and consider obtaining professional advice that is appropriate to their specific circumstances before making any Election. This Scheme Booklet contains information that is material to your decision whether or not to make an Election. In particular, you should read Sections 2, 7, 8, 9 and 10 and the Independent Expert's Report in Appendix 1 before deciding to make any Election.
Seek to sell some or all your VRL Shares	The existence of Each Alternative Scheme does not preclude you from selling some or all of your VRL Shares on market for cash, if you wish, provided you do so before close of trading in VRL Shares on ASX on the Effective Date (currently proposed to be Monday, 7 December 2020). You will not be able to sell your VRL Shares on market after the Effective Date, as this will be the last day of trading in VRL Shares on ASX before trading in VRL Shares on ASX is suspended. You may however seek to sell your VRL Shares off-market after the Effective Date but before the Scheme Record Date (currently proposed to be Wednesday, 9 December 2020). If you are considering selling your VRL Shares, you should have regard to the prevailing trading prices of VRL Shares and compare those to the Scheme Consideration under Each Alternative Scheme. You may ascertain current trading prices of VRL Shares through ASX's website (www.asx.com.au) or by contacting your stockbroker. VRL Shareholders who sell some or all of their VRL Shares: • will receive payment for the sale of their VRL Shares sooner than they would receive their Scheme Consideration; • may incur a brokerage charge if the VRL Shares are sold on market; • will not be able to receive the Scheme Consideration or be entitled to the benefits of any Superior Proposal, if one emerges (but only for those VRL Shares they have sold, if they have chosen to sell some but not all of their VRL Shares); and • may be liable for CGT on the disposal of their VRL Shares (as may also be the case for Scheme Shareholders, as to which see Section 10).
Do nothing	Eligible VRL Shareholders who do not vote at the Scheme Meetings and who do not submit an Election Form will: • if Either Alternative Scheme is implemented - have their VRL Shares compulsorily transferred to VRC (in the case of the Structure A Scheme) or BidCo (in the case of the Structure B Scheme), by operation of the Relevant Scheme, and be entitled to receive the default Cash Consideration under the Relevant Scheme; and • if neither the Scheme A Scheme nor the Structure B Scheme is implemented - retain their VRL Shares.

3 FREQUENTLY ASKED QUESTIONS

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3. FREQUENTLY ASKED QUESTIONS

Set out below are summary answers to some frequently asked questions about Each Alternative Scheme. This information is a summary only and is not intended to address all relevant issues for VRL Shareholders. This Section 3 should be read subject to, and in conjunction with, the remainder of this Scheme Booklet.

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GENERAL

Question	Answer	Further information
What are VRL Shareholders being asked to consider?	VRL Shareholders are being asked to consider and vote on two alternative but concurrently presented proposals under which entities associated with funds managed or advised by BGH would acquire control of VRL. The control transaction is to be implemented by one of two alternative schemes of arrangement: the Structure A Scheme or the Structure B Scheme. A separate Scheme Meeting has been convened to vote on Each Alternative Scheme. The Structure A Scheme and the Structure B Scheme are being submitted to VRL Shareholders as concurrent alternative proposed transactions, and on the basis that the Structure B Scheme will only proceed if the Structure A Scheme is not approved by the requisite majorities of eligible VRL Shareholders or by the Court.	Sections 1 and 2
What is the Structure A Scheme?	The Structure A Scheme is a proposal under which VRL Shareholders (other than VRC and the VRC Principals) would transfer all of their VRL Shares to VRC in exchange for a base Cash Consideration of $2.20 per Share, and additional contingent Cash Consideration of $0.12 per Share, for a total potential Cash Consideration of $2.32 per Share, if the requirements for the Theme Parks Uplift Event are satisfied. The Implementation Agreement had contemplated two additional Uplift Events but as a result of circumstances that have transpired since the Implementation Agreement was entered into on 6 August 2020, the VRL Independent Directors now consider the occurrence of the Cinema Uplift Event to be highly improbable and the Border Uplift Event to be unlikely. Alternatively, VRL Shareholders (other than VRC and the VRC Principals) may make either a Partial Election or Maximum Election to receive HoldCo Shares as their Scheme Consideration (subject to certain limitations). HoldCo is a recently incorporated unlisted public company that will be controlled by BGH's Affiliates and will (though interposed entities) hold 100% of the shares in VRL. If the Structure A Scheme proceeds, VRL would be delisted from ASX shortly after its implementation.	Sections 1, 2 and 7
What is the Structure B Scheme?	The Structure B Scheme is a proposal under which all VRL Shareholders would transfer all of their VRL Shares to BidCo, a recently incorporated proprietary company, in exchange for a base Cash Consideration of $2.10 per Share, and additional contingent Cash Consideration of $0.12 per Share, for a total potential Cash Consideration of $2.22 per Share, if the requirements for the Theme Parks Uplift Event are satisfied. The Implementation Agreement had contemplated two additional Uplift Events but as a result of circumstances that have transpired since the Implementation Agreement was entered into on 6 August 2020, the VRL Independent Directors now consider the occurrence of the Cinema Uplift Event to be highly improbable and the Border Uplift Event to be unlikely. Alternatively, VRL Shareholders may elect to continue to retain all of their VRL Shares (subject to potential scale back), in which case they will become a party to and bound by the VRL Shareholders' Deed. VRC and the VRC Principals have informed the Independent Directors that they intend to make an Election under the Structure B Scheme to retain all of their VRL Shares. If the Structure B Scheme proceeds, BGH would hold at least 50% of the VRL Shares and VRL will be de-listed from the ASX after the Structure B Scheme is implemented on a date to be determined by BGH.	Sections 1, 2 and 8

Question	Answer	Further information
What is the inter-relationship between the Structure A Scheme and the Structure B Scheme?	If the Structure A Scheme proceeds, the Structure B Scheme will not proceed. The Structure B Scheme is conditional on the Structure A Scheme not proceeding. This means that the Structure B Scheme can only proceed if the Structure A Scheme is not approved either by the relevant VRL Shareholders or by the Court.	Sections 1 and 2
What is a members' scheme of arrangement?	A members' scheme of arrangement is a procedure under the Corporations Act that can be used to (among other things) enable one company to acquire or merge with another company. In this case, the Structure A Scheme or the Structure B Scheme is the mechanism by which BidCo proposes to acquire control of VRL. Either Alternative Scheme can only proceed if it is approved by the requisite majority of VRL Shareholders and if it is subsequently approved by the Court.	Sections 1, 2, 7 and 8 Each Alternative Scheme is included at Appendix 2 and Appendix 5 respectively
Why are two alternative schemes being concurrently proposed?	Two concurrent alternative schemes comprise the structure that was proposed by BidCo and, after due consideration, ultimately agreed to by the IBC on the basis of various intersecting considerations.	IBC Chairman's letter, Section 2.5
What is the role and function of the Independent Board Committee (IBC)?	The IBC comprises Mr Peter Tonagh (Chair), Mr Robert Le Tet, Ms Anna Duran and Ms Jennifer Fox Gambrell (each of whom is an independent non-executive director of VRL). Following an initial approach from PEP concerning a possible change of control transaction involving VRL, the VRL Board approved the formation of the IBC with responsibility for, among other things, overseeing discussions and negotiations relating to any change of control proposals and overseeing VRL's evaluation of and response to them. The IBC has had primary responsibility for managing VRL's response to and negotiation of the initial non-binding indicative proposal from BGH that VRL announced to ASX on 24 January 2020 and the revised non-binding indicative proposal from BGH that VRL announced to ASX on 18 May 2020. The IBC has worked closely with the senior executive management of VRL and its financial and legal advisers in evaluating the Revised BGH Proposal and negotiating VRL's response to it. The Independent Board Committee will, if applicable, consider any Competing Proposal, subject to the exclusivity restrictions applicable to VRL in relation to alternative proposals (see Section 1.14 for details).	Sections 1.1 and 2.9

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Question	Answer	Further information
What are the key conditions that need to be satisfied before Either Alternative Scheme can proceed?	The key remaining conditions that must be satisfied or waived (as applicable) for Either Alternative Scheme to proceed are: • no change in the current voting recommendation of the Independent Directors; • no VRL Prescribed Occurrence occurs; • the representations and warranties given by VRL remain true and correct in all material respects; • approval of the Structure A Scheme or the Structure B Scheme by the requisite majorities of VRL Shareholders at the Scheme Meetings (at least a simple majority of eligible VRL shareholders by number present and voting at each Scheme Meeting, representing at least 75% of the votes cast); • approval of the Structure A Scheme or the Structure B Scheme by the Court at the Second Court Hearing; • no Material Adverse Change occurs in relation to VRL; • all consents, approvals, waivers or variations under VRL's existing debt financing agreements are obtained on terms acceptable to BidCo acting reasonably and a financier has not exercised any of its defaults rights under any of those agreements; and • no court or Government Agency in Australia restrains or permits implementation of the Structure A Scheme or the Structure B Scheme. There are additional conditions applicable to Each Alternative Scheme, including that the Structure B Scheme is conditional on the Structure A Scheme not proceeding. VRL will make a statement at the commencement of the Structure A Scheme Meeting regarding the status of these conditions.	Section 2.9(b)
Are there any other circumstances that may result in Either Alternative Scheme not proceeding?	VRL, VRC, HoldCo and BidCo have entered into an Implementation Agreement which provides a contractual framework for proposing and implementing Either Alternative Scheme. The Implementation Agreement sets out circumstances where that agreement may be terminated, in which case Either Alternative Scheme will not proceed. In summary: (**Mutual termination rights**) BidCo and VRL each have a mutual right to terminate the Implementation Agreement in the following circumstances: • if there is material breach of the Implementation Agreement by the other (or by VRC) that is not remedied within 10 Business Days; • if a condition is not capable of being fulfilled; or • if Either Alternative Scheme does not become Effective before the End Date. (**VRL termination rights**) VRL is also entitled to terminate the Implementation Agreement: • if a majority of the Independent Board Committee changes or withdraws their recommendation of the Schemes; or • if there is a material breach of a BidCo/VRC warranty and it is not remedied within 10 Business Days. (**BidCo termination rights**) BidCo is also entitled to terminate the Implementation Agreement: • if any Independent Director withdraws or adversely modifies their recommendation of Either Alternative Scheme; or • if there is a material breach of a VRL warranty and it is not remedied within 10 Business Days.	Section 7.6 and Implementation Agreement, clause 14

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Question	Answer	Further information
If Either Alternative Scheme proceeds, what will be the effect?	BidCo will control VRL and VRL will be de-listed from ASX. Scheme Shareholders will on the Implementation Date (currently expected to be Wednesday, 16 December 2020) receive the Scheme Consideration applicable to them under the terms of the Relevant Scheme. In the case of the Structure A Scheme, Scheme Shareholders who have made a valid Election to receive HoldCo Shares will become a party to and bound by the HoldCo Shareholders' Deed. In the case of the Structure B Scheme, Retaining Shareholders will become a party to and bound by the VRL Shareholders' Deed.	Sections 1, 7, 8 and 11
What happens if Either Alternative Scheme does not proceed?	If neither the Structure A Scheme nor the Structure B Scheme is approved by VRL Shareholders or if neither Scheme is approved by the Court: • BidCo will not acquire control of VRL; • you will not receive the Scheme Consideration under Either Alternative Scheme; • VRL will remain listed on ASX; • you will retain your current investment in VRL Shares and in doing so will continue to retain the benefits of an investment in VRL Shares and continue to be exposed to the risks presently associated with this investment. These include general risks of holding shares and risks that are specific to VRL and its businesses as described in Sections 9.2 and 9.3 (including the current debt profile of VRL and its likely need to raise new equity capital to be applied to repaying VRL Group debt and to meet forecast operating and capital expenditure costs); • the advantages of Either Alternative Scheme, as outlined in Section 2.7, will not be realised; • equally, the disadvantages of Either Alternative Scheme identified in Section 2.8 will no longer be relevant; • VRL will have incurred substantial costs and expended management time and resources for a proposed change of control transaction that does not proceed; and • your Independent Directors currently anticipate that the price of VRL Shares on ASX may fall below their current trading levels, in the absence of a Superior Proposal, and all other things remaining equal.	Sections 1 and 2
Are there any risks I should be aware of?	Yes. There are risks associated with: • the status quo being preserved if neither the Structure A Scheme nor the Structure B Scheme proceeds including continuing exposure to the risks associated with an investment in VRL Shares; • making an Election to receive HoldCo Shares under the Structure A Scheme; or • making an Election to retain all your VRL Shares under the Structure B Scheme. There are also risk factors which may prevent Either Alternative Scheme from proceeding.	Section 9

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Question	Answer	Further information
What are my options?	As a VRL Shareholder, your principal options are as follows: • vote in favour of Each Alternative Scheme; • vote in favour of Each Alternative Scheme but not make an Election under either Scheme; • vote against Each Alternative Scheme; • vote in favour of the Structure A Scheme but against the Structure B Scheme; • vote against the Structure A Scheme but in favour of the Structure B Scheme; • make an Election under Each Alternative Scheme or Either Alternative Scheme, regardless of whether you vote in favour of or against Either Alternative Scheme; • seek to sell some or all your VRL Shares before the Scheme Record Date for the Relevant Scheme; or • do nothing.	Section 2.10
Can I sell my VRL Shares now?	Yes. VRL Shareholders may seek to sell all or some of their VRL Shares on ASX at the prevailing market price at any time before the close of trading on ASX on the Effective Date (which is currently expected to be Monday, 7 December 2020). You will not be able to sell your VRL Shares on market after the Effective Date, as this will be the last day of trading in VRL Shares on ASX before trading in VRL Shares on ASX is suspended. You may however seek to sell your VRL Shares off-market after the Effective Date but before the Scheme Record Date (currently proposed to be 7:00pm on Wednesday, 9 December 2020). If you sell your VRL Shares before the Scheme Record Date you: • will receive the proceeds from the sale of your VRL Shares sooner than you would receive payment under the Relevant Scheme (noting that your sale proceeds may vary from the Scheme Consideration); • may incur a brokerage charge if you sell your VRL Shares on market; • will not be entitled to any Scheme Consideration (including any increase to the Scheme Consideration as a result of the Theme Parks Uplift Event occurring); and • will not be able to participate in the Relevant Scheme or a Superior Proposal, if one emerges.	Sections 1 and 11
Will I be giving any warranties in respect of my VRL Shares?	Yes. Under Either Alternative Scheme, each Scheme Shareholder will be taken to have warranted to VRL, in its own right and for the benefit of VRC (in the case of the Structure A Scheme) or BidCo (in the case of the Structure B Scheme), that all of their VRL Shares (including any rights and entitlements attaching to their VRL Shares) which are transferred to VRC or BidCo under the Relevant Scheme will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, that they have full power and capacity to transfer their VRL Shares under the Relevant Scheme together with any rights attaching to the Scheme Shares and that they have no existing right to be issued any VRL Shares, options exercisable into VRL shares, VRL convertible notes or any other VRL securities. You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.	Appendix 2 Structure A Scheme (clause 8.4), Appendix 5 Structure B Scheme (clause 9.4)

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BIDCO GROUP

Question	Answer	Further Information
Who is BGH?	BGH was established in 2017 as an independent private investment firm, owned and managed by its founding partners – Robin Bishop, Ben Gray and Simon Harle. In May 2018, BGH had a final close on the BGH Fund of approximately A$2.6 billion, making it the largest domestic private equity fund in Australia and New Zealand.	Section 6.3
Who is BidCo?	VRG BidCo Pty Ltd ACN 642 862 422 is a special purpose company that was incorporated on 22 July 2020 for the purposes of: • if the Structure A Scheme becomes Effective, indirectly acquiring all of the VRL Shares, by BidCo acquiring all of the shares in Positive (VRC's holding company), VRC acquiring certain VRL Shares under the VRC Principals Share Sale Agreements and VRC acquiring VRL Shares pursuant to the Structure A Scheme; and • if the Structure B Scheme becomes Effective, directly acquiring VRL Shares pursuant to the Structure B Scheme.	Section 6.4(a)
Who is HoldCo?	VRG Holdco Limited ACN 642 854 313 is a special purpose company that was incorporated on 22 July 2020 for the purpose of indirectly holding all the shares in BidCo and issuing Structure A Scheme Consideration to those eligible Structure A Scheme Shareholders that make a valid Election to receive part or all of their Structure A Scheme Consideration in the form of HoldCo Shares in accordance with the Structure A Scheme. If the Structure B Scheme proceeds to be implemented, and the Restructure Event occurs, HoldCo will issue HoldCo Shares to the Retaining Shareholders in accordance with the terms of the Restructure Event.	Section 6.4(b)
How is BidCo funding the Cash Consideration under Either Alternative Scheme?	BidCo intends to fund the Cash Consideration under Either Alternative Scheme through equity funding.	Section 6.5
What are the BidCo Group's intentions for VRL if Either Alternative Scheme Proceeds?	The intentions of the BidCo Group for VRL if Either Alternative Scheme proceeds are set out in Sections 6.6 (in relation to the Structure A Scheme) and 6.7 (in relation to the Structure B Scheme).	Sections 6.6 and 6.7

STRUCTURE A SCHEME CONSIDERATION

Question	Answer	Further Information
What will I receive if the Structure A Scheme is implemented?	You have the option to receive your Scheme Consideration in the form of all cash, 50% cash and 50% shares in HoldCo or 100% shares in HoldCo. Unless you make a valid Election to receive 50% or 100% of your Scheme Consideration as HoldCo Shares, you will receive $2.20 cash for each VRL Share you hold on the Structure A Scheme Record Date. This amount may increase to $2.32 cash per Share if the requirements for the Theme Parks Uplift Event are satisfied. The Implementation Agreement had contemplated two additional Uplift Events but as a result of circumstances that have transpired since the Implementation Agreement was entered into on 6 August 2020, the VRL Independent Directors now consider the occurrence of the Cinema Uplift Event to be highly improbable and the Border Uplift Event to be unlikely. If you make a Partial Election to receive 50% of your Scheme Consideration as HoldCo Shares, the balance of your Scheme Consideration will be Cash Consideration. An Election to receive 50% or 100% of your Scheme Consideration as HoldCo Shares is subject to various qualifications and limitations, as described below in response to the question *What minimum thresholds and scale back arrangements apply to Elections?*	Sections 1, 2 and 7

Question	Answer	Further Information
What are the potential uplift events for the Cash Consideration?	The base Cash Consideration of $2.20 cash per Share may increase to $2.32 cash per Share as follows: • **Theme Parks Uplift Event**: an additional $0.12 per Share if Warner Bros. Movie World and the Sea World theme parks are open to the public for a period of 5 Business Days ending at 4.00pm on the day that is 11 days prior to the Proxy Cut-Off Date[11]. Please see Section 2.7(c) for the status of the Theme Parks Uplift Event as at the Last Practicable Date. Two additional Uplift Events that are reflected in the Scheme comprise: • **Cinema Uplift Event**: an additional $0.08 per share if a majority of the Cinemas business locations (representing 75% of Cinemas business revenue in FY19) are open to the public for a period of 5 Business Days ending at 4.00pm on the day that is 11 days prior to the Proxy Cut-Off Date and there are no significant changes to the expected movie slate for the remainder of FY2021 in the period commencing 6 August 2020 and ending on the day that is 11 days prior to the Proxy Cut-Off Date; plus • **Border Uplift Event**: an additional $0.05 per Share if there are no border control measures imposed by the Queensland Government prohibiting any person from entering Queensland from New South Wales on 1 November 2020 and prohibiting any person from entering Queensland from Victoria on 15 November 2020. As a result of circumstances that have transpired since the Implementation Agreement was entered into on 6 August 2020, the VRL Independent Directors now consider the occurrence of the Cinema Uplift Event to be highly improbable and the Border Uplift Event to be unlikely.	Sections 1, 2, and 7.3
When will I know whether the Theme Parks Uplift Event applies?	VRL expects to make an ASX announcement as soon as practicable on the day that is 11 days prior to the Proxy Cut-Off Date advising whether the requirement for the Theme Parks Uplift Event have been met.	Section 2.7(c)
What is the status of the Cinema Uplift Event?	The Implementation Agreement contemplated additional Cash Consideration of $0.08 per Share if a majority of the Cinemas business locations (representing 75% of Cinemas business revenue in FY19) are open to the public for a period of 5 Business Days ending at 4.00pm on the day that is 11 days prior to the Proxy Cut-Off Date and there are no significant changes to the expected movie slate for the remainder of FY2021 in the period commencing 6 August 2020 and ending on the day that is 11 days prior to the Proxy Cut-Off Date. Due to significant changes to the expected movie slate for the remainder of FY2021 the IBC considers it is highly improbable that the requirements for the Cinema Uplift Event will be met.	Section 2.7(c)

11 Disregarding temporary closures for cleaning or analogous purposes in accordance with the requirements of any Government Agency.

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Question	Answer	Further Information
What is the status of the Border Uplift Event?	The Implementation Agreement contemplated additional Cash Consideration of $0.05 per Share if there were no border control measures imposed by the Queensland Government prohibiting any person from entering Queensland from New South Wales on 15 October 2020 and prohibiting any person from entering Queensland from Victoria on 31 October 2020 (**Border Uplift Event**). Further to the announcement by the Queensland State Government on 2 October 2020, border control measures prohibiting any person from entering Queensland from New South Wales will be in place until at least 1 November 2020, after the upcoming Queensland State election. On 7 October 2020, VRL, VRC and BidCo agreed to amend the Implementation Agreement so that the relevant date for New South Wales border control measures would be 1 November 2020 and the relevant date for Victoria border control measures would be 15 November 2020. Despite this, the IBC considers that it is unlikely that the requirements for the Border Uplift Event will be met, particularly given the current COVID-19 restrictions in place in Victoria. If the requirements for the Border Uplift Event are satisfied, VRL will make an ASX announcement as soon as practicable on Monday, 16 November 2020, being the first business day after 15 November 2020.	Section 2.7(c)
Do I need to elect to receive the Cash Consideration?	No. Cash Consideration for all of your VRL Shares is the default Scheme Consideration if you do not make a valid Partial Election or Maximum Election to receive HoldCo Shares.	Sections 1, 7 and Appendix 2
What minimum thresholds and scale back arrangements apply to Elections?	HoldCo Shares will only be issued if valid Elections are received in aggregate for at least 9,762,630 VRL Shares, representing at least approximately 5% of the total number of VRL Shares on issue. Pro rata scale back will apply if valid Elections are received for more than 29,287,889 VRL Shares, representing more than approximately 15% of the total number of VRL Shares on issue. Cash Consideration will be paid for any VRL Shares to which scale back applies. VRL expects to make an announcement on Tuesday, 17 November 2020 as to indicative Elections received under the Structure A Scheme including whether the minimum threshold and scale back requirements described above are likely to apply.	Sections 1, 7 and Appendix 2
What is the HoldCo Shareholders' Deed?	VRL Shareholders who receive HoldCo Shares as some or all of their Structure A Scheme Consideration will become parties to the HoldCo Shareholders' Deed. This will occur by force of the Structure A Scheme, without the need for any action on their part. The HoldCo Shareholders' Deed sets out the rights and obligations of shareholders in HoldCo.	Sections 1.2, 1.3 and 7.4
Who is a Foreign Scheme Shareholder and how are they treated under the Structure A Scheme?	If your address, as shown in the Share Register as at the Structure A Scheme Record Date, is outside Australia or any other jurisdiction that VRL and HoldCo agree, you will be a Foreign Scheme Shareholder, unless HoldCo determines otherwise. A Foreign Scheme Shareholder is not eligible to make an Election to receive HoldCo Shares. If you are a Foreign Scheme Shareholder and you make an Election to receive HoldCo Shares, your Election will be invalid and you will receive the Cash Consideration for all of your VRL Shares. If you are a VRL Shareholder whose address as shown in the Share Register is a place outside Australia and you wish to make an Election to receive HoldCo Shares, you should contact the VRL Shareholder Information Line on 1300 163 094 (within Australia) or +61 3 9415 4151 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time) to enquire whether you may be eligible to make that Election. Eligibility will be determined by HoldCo in its absolute discretion having regard to whether the laws of your registered address permit HoldCo to issue HoldCo Shares to you either unconditionally or after compliance with conditions that HoldCo considers are not unduly onerous or impracticable.	Section 7 and 12.15 Appendix 2

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Question	Answer	Further Information
When and how will I receive my Scheme Consideration?	If the Structure A Scheme is implemented, the Structure A Scheme Consideration will be provided to all Structure A Scheme Shareholders on the Implementation Date (currently proposed to be Wednesday, 16 December 2020). The form of the Structure A Scheme Consideration you will receive on the Implementation Date will depend on whether or not you have made a valid Election under the Structure A Scheme. If you have not made a valid Election under the Structure A Scheme, you will receive the default Cash Consideration for all of your VRL Shares. This will be paid to you on the Implementation Date by cheque in Australian currency posted to your address as shown in the Share Register or by direct credit to an account with an Australian ADI you have notified to VRL or the Share Registry. If you have made a valid Election under the Structure A Scheme, the HoldCo Shares to which you are entitled will be issued to you on the Implementation Date. Alternatively, if on the Implementation Date there are or would be more than 50 HoldCo Shareholders, your HoldCo Shares will be transferred or issued directly to a Nominee. The Nominee will hold your HoldCo Shares on bare trust for you, such that the Nominee would be the registered legal holder of your HoldCo Shares and you would be the beneficial holder of those HoldCo Shares. This arrangement is subject to you providing any required "Know Your Customer" information to HoldCo or the Nominee, in the absence of which your HoldCo Shares will still be issued to the Nominee but will instead be held on trust by the Nominee for a wholly owned subsidiary of VRL, who will in turn hold those HoldCo Shares on bare trust for you for a period of time (during which you must provide the "Know Your Customer" information to HoldCo or the Nominee). Under this arrangement, the Nominee would still be the registered legal holder of your HoldCo Shares and you would be the ultimate beneficial holder of those HoldCo Shares. If you have made a valid Election under the Structure A Scheme and subject to the conditions relating to minimum thresholds and scale back not applying, you will be sent a certificate or confirmation document reflecting your entitlement to HoldCo Shares within 5 Business Days after the Implementation Date.	Sections 7, 11 and Appendix 2
What are the taxation implications of the Structure A Scheme?	If the Structure A Scheme is implemented, there will be taxation consequences for you which may include taxation being payable on any gain on disposal of VRL Shares. For further detail regarding general Australian taxation consequences of the Structure A Scheme for certain VRL Shareholders, please see Section 10. The taxation treatment may vary depending on the nature and characteristics of each VRL Shareholder and their specific circumstances. Accordingly, you should seek your own professional taxation advice in relation to your particular circumstances.	Section 10
Will I have to pay brokerage fees or stamp duty?	No, you will not have to pay brokerage or stamp duty on the transfer of your VRL Shares under the Structure A Scheme. If you dispose of your VRL Shares before the Structure A Scheme Record Date, brokerage fees may be payable.	Section 10 and Appendix 2

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STRUCTURE B SCHEME CONSIDERATION

Question	Answer	Further Information
What will I receive if the Structure B Scheme is implemented?	You have the option to receive Cash Consideration for all of your VRL Shares or elect to retain all of your VRL Shares. Elections under the Structure B Scheme are subject to an aggregate cap of 50% of VRL Shares on issue, with the scale-back arrangements described below applying if the 50% threshold is exceeded. Unless you make a valid Election to retain all of your VRL Shares, you will receive $2.10 cash for each VRL Share you hold on the Structure B Scheme Record Date. This amount may increase to $2.22 cash per Share if the Theme Parks Uplift Event occurs.	Sections 1, 8 and Appendix 5
What are the potential uplift arrangements for the Cash Consideration?	The base Cash Consideration of $2.10 cash per Share may increase to $2.22 cash per Share as follows: • **Theme Parks Uplift Event**: an additional $0.12 per Share if Warner Bros. Movie World and the Sea World theme parks are open to the public for a period of 5 Business Days ending at 4.00pm on the day that is 11 days prior to the Proxy Cut-Off Date[12]). Please see Section 2.7(c) for the status of the Theme Parks Uplift Event as at the Last Practicable Date. Two additional Uplift Events that are reflected in the Scheme comprise: • **Cinema Uplift Event**: an additional $0.08 per share if a majority of the Cinemas business locations (representing 75% of Cinemas business revenue in FY19) are open to the public for a period of 5 Business Days ending at 4.00pm on the day that is 11 days prior to the Proxy Cut-Off Date and there are no significant changes to the expected movie slate for the remainder of FY2021 in the period commencing 6 August 2020 and ending on the day that is 11 days prior to the Proxy Cut-Off Date; plus • **Border Uplift Event**: an additional $0.05 per Share if there are no border control measures imposed by the Queensland Government prohibiting any person from entering Queensland from New South Wales on 1 November 2020 and from Victoria on 15 November 2020. As a result of circumstances that have transpired since the Implementation Agreement was entered into on 6 August 2020, the VRL Independent Directors now consider the occurrence of the Cinema Uplift Event to be highly improbable and the Border Uplift Event to be unlikely.	Sections 1, 2 and 8.3
When will I know whether the Theme Parks Uplift Event applies?	VRL expects to make an ASX announcement as soon as practicable on the day that is 11 days prior to the Proxy Cut-Off Date advising whether the requirements for the Theme Parks Uplift Event have been met.	Section 2.7(c)
What is the status of the Cinema Uplift Event?	The Implementation Agreement contemplated additional Cash Consideration of $0.08 per Share if a majority of the Cinemas business locations (representing 75% of Cinemas business revenue in FY19) are open to the public for a period of 5 Business Days ending at 4.00pm on the day that is 11 days prior to the Proxy Cut-Off Date and there are no significant changes to the expected movie slate for the remainder of FY2021 in the period commencing 6 August 2020 and ending on the day that is 11 days prior to the Proxy Cut-Off Date. Due to significant changes to the expected movie slate for the remainder of FY2021 the IBC considers it is highly improbable that the requirements for the Cinema Uplift Event will be met.	Section 2.7(c)

12 Disregarding temporary closures for cleaning or analogous purposes in accordance with the requirements of any Government Agency.

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Question	Answer	Further Information
What is the status of the Border Uplift Event?	The Implementation Agreement contemplated additional Cash Consideration of $0.05 per Share if there were no border control measures imposed by the Queensland Government prohibiting any person from entering Queensland from New South Wales on 15 October 2020 and prohibiting any person from entering Queensland from Victoria on 31 October 2020 (**Border Uplift Event**). Further to the announcement by the Queensland State Government on 2 October 2020, border control measures prohibiting any person from entering Queensland from New South Wales will be in place until at least 1 November 2020, after the upcoming Queensland State election. On 7 October 2020, VRL, VRC and BidCo agreed to amend the Implementation Agreement so that the relevant date for New South Wales border control measures would be 1 November 2020 and the relevant date for Victoria board control measures would be 15 November 2020. Despite this, the IBC considers that it is unlikely that the requirements for the Border Uplift Event will be met, particularly given the current COVID-19 restrictions in place in Victoria. If the requirements for the Border Uplift Event are satisfied, VRL will make an ASX announcement as soon as practicable on Monday, 16 November 2020, being the first business day after 15 November 2020.	Section 2.7(c)
Do I need to elect to receive the Cash Consideration?	No. The Cash Consideration is the default Scheme Consideration if you do not make a valid Election to retain all of your VRL Shares.	Sections 1, 8 and Appendix 5
What minimum thresholds and scale back arrangements apply to Elections?	Unlike the Structure A Scheme, there is no aggregate minimum threshold that will apply for Elections under the Structure B Scheme. There is also no minimum number of VRL Shares you need to hold to be eligible to make an Election to retain all of your VRL Shares. All VRL Shareholders, regardless of the number of Shares they hold, are eligible to make an Election to retain all their VRL Shares. However, at any time after the first anniversary of the Implementation Date, the Board may require Shareholders who hold VRL Shares with an aggregate issue price of $10,000 or less to transfer their Shares to anyone (e.g. BidCo) at market value (based on the last quarterly valuation for VRL circulated by BGH to its investors in its quarterly report). Pro rata scale back will apply if valid Elections are received to retain in aggregate more than 97,626,298 VRL Shares, representing more than approximately 50% of the total number of VRL Shares on issue. Cash Consideration will be paid for any VRL Shares to which scale back applies. VRL expects to make an announcement on Tuesday, 17 November 2020 as to indicative Elections received under the Structure B Scheme including whether the scale back requirements described above are likely to apply.	Sections 1, 8 and Appendix 5
What is the VRL Shareholders' Deed?	VRL Shareholders who make an Election under the Structure B Scheme to retain all of their VRL Shares will, if that Scheme is implemented, become parties to the VRL Shareholders' Deed. This will occur by force of the Structure B Scheme, without the need for any action on their part. The VRL Shareholders' Deed sets out the rights and obligations of shareholders in VRL if the Structure B Scheme is implemented.	Sections 1.2, 1.3 and 8
If I'm a shareholder with a registered address outside Australia can I still make an Election?	Yes, even if your registered address is outside Australia you are still eligible to make an Election to retain all of your VRL Shares. However, if the Structure B Scheme proceeds to be implemented and a Restructure Event occurs under the VRL Shareholders' Deed, your ability to receive HoldCo Shares and therefore remain invested in the VRL business may be impacted if you are an overseas shareholder.	Sections 8.4 and 12.15

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Question	Answer	Further Information
When and how will I receive my Scheme Consideration?	If the Structure B Scheme is implemented, the Cash Consideration will be paid on the Implementation Date (currently proposed to be Wednesday, 16 December 2020) to all Structure B Scheme Shareholders who have not made a valid Election to retain all of their VRL Shares. The Cash Consideration will be paid to you by cheque in Australian currency posted to your address as shown in the Share Register or by direct credit to an account with an Australian ADI you have notified to VRL or the Share Registry the account you have provided to the Share Registry. If you have made a valid Election under the Structure B Scheme to retain all of your VRL Shares but scale back arrangements apply, the Cash Consideration in respect of your VRL Shares that are subject to scale-back will be paid in the same manner as described above. If you have made a valid Election under the Structure B Scheme to retain all of your VRL Shares and if on the Implementation Date there are more than 50 VRL Shareholders, then as deemed necessary by BidCo your VRL Shares will be transferred to the Nominee. The Nominee will hold your VRL Shares on bare trust for you, such that the Nominee would be the registered legal holder of your VRL Shares and you would remain the beneficial holder of those VRL Shares. This arrangement is subject to you providing any required "Know Your Customer" information to VRL or the Nominee, in the absence of which your VRL Shares will still be transferred to the Nominee but will instead be held on trust by the Nominee for a wholly owned subsidiary of VRL, who will in turn hold those VRL Shares on bare trust for you for a period of time (during which you must provide the "Know Your Customer" information to VRL or the Nominee). Under this arrangement, the Nominee would still be the registered legal holder of your VRL Shares and you would remain the ultimate beneficial holder of those VRL Shares.	Section 11 and Appendix 5
If I elect to retain all my VRL Shares, can I retain them indefinitely?	Potentially no. The VRL Shareholders' Deed provides for a Restructure Event that may result in an acquisition of your VRL Shares within 12 months of the Implementation Date. During the 3 month period following the date that is 6 months following the implementation of the Structure B Scheme, a Retaining Shareholder who individually holds or collectively with other Retaining Shareholders hold more than 7.5% of VRL's Shares on issue will be entitled to provide BidCo with a notice requiring BidCo to acquire all VRL Shares not held by BidCo for consideration of either (at the election of the Retaining Shareholder): • the Structure B Cash Consideration less $0.10 in respect of a maximum of one half of the VRL shares held by the relevant Retaining Shareholder and one HoldCo Share in respect of each of the relevant Retaining Shareholder's other VRL Shares; or • one share in HoldCo for each of the relevant Retaining Shareholder's VRL shares, in which case the relevant Retaining Shareholder must enter into a shareholders agreement in respect of HoldCo that is substantially on the same terms as the VRL Shareholders' Deed but making such amendments as BidCo (acting reasonably) considers are necessary. During the 3 months following the date that is 9 months after the implementation of the Structure B Scheme, BidCo will be entitled to issue a notice to the Retaining Shareholders requiring them to sell their VRL Shares, on the same terms as the preceding paragraph. If a Restructure Event occurs under the VRL Shareholders' Deed, your ability to receive HoldCo Shares and therefore remain invested in the VRL business may be impacted if you are an overseas shareholder or where your circumstances mean that HoldCo would be required to issue a disclosure document (such as a prospectus) to you.	Section 8.2(e)

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Question	Answer	Further Information
What is the rationale for the Restructure Event?	The Restructure Event is to provide a potential pathway to the disaggregation of the VRC Principals' holdings so that each VRC Principal's investment in VRL is no longer held via an intermediate holding vehicle (being VRC), but rather held directly in HoldCo alongside BGH's Affiliates and other continuing VRL shareholders.	Section 2.6
What are the taxation implications of the Structure B Scheme?	If the Structure B Scheme is approved and implemented and you have not made an Election to retain all of your VRL Shares, there will be taxation consequences for you which may include taxation being payable on any gain on disposal of VRL shares. The transfer of VRL Shares by an Australian resident Retaining Shareholder to the Nominee should not constitute a CGT event for Australian income taxation purposes on the Implementation Date. Even if you have made an Election to retain all of your VRL Shares, taxation implications may arise as a result of a future disposal of your VRL Shares including due to the Restructure Event described in the answer to the preceding two questions.	Section 10
Will I have to pay brokerage fees or stamp duty?	No, you will not have to pay brokerage or stamp duty on any transfer of your VRL Shares under the Structure B Scheme. If you dispose of your VRL Shares before the Structure B Scheme Record Date, brokerage fees may be payable.	Section 10 and Appendix 5

ELECTIONS GENERALLY

Question	Answer	Further Information
What are the potential advantages and disadvantages of making an Election?	There are a number of potential advantages and disadvantages of making an Election under Either Alternative Scheme. These are summarised at pages 18 to 22 under the headings *'Potential reasons to make an Election (under the Structure A Scheme and/or Structure B Scheme)'* and *'Potential reasons not to make any Election'*. For a more fulsome description of HoldCo Shares (acquired pursuant to an Election under the Structure A Scheme and held under the terms of the HoldCo Shareholders' Deed) and Retained Shares (retained pursuant to an Election under the Structure B Scheme and held under the terms of the VRL Shareholders' Deed) and the risks of holding these securities, see Sections 7, 8 and 9. You should note that the risks that apply to an investment in HoldCo Shares or Retained Shares are materially different to those that apply to your existing investment in VRL as an ASX listed company. You should consider obtaining appropriate professional advice relevant to your particular circumstances before making any Election under Either Alternative Scheme.	Pages 18 to 22, Sections 7, 8 and 9
Do the Independent Directors have any specific views or recommendations for VRL Shareholders on making an Election?	No. Your Independent Directors are recommending that you vote in favour of Each Alternative Scheme based on the amount of the default Cash Consideration under Either Alternative Scheme, and assuming no uplift to that base Cash Consideration. Your Independent Directors consider that it is a matter for each eligible VRL Shareholder to decide whether or not to make an Election under Each Alternative Scheme or Either Alternative Scheme, having regard to their individual circumstances, financial situation, taxation position, investment objectives and risk profile. This Scheme Booklet contains information that is material to your decision whether or not to make an Election under Each Alternative Scheme or Either Alternative Scheme. In particular, you should carefully read Sections 2, 7, 8, 9 and 10 and the Independent Expert's Report in Appendix 1. You should also consider obtaining professional advice that is appropriate to your specific circumstances before making any Election.	Sections 2, 7, 8, 9 and 10. Independent Expert's Report in Appendix 1

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Question	Answer	Further Information
How do I make an Election?	To make a Partial Election or a Maximum Election under the Structure A Scheme to receive HoldCo Shares, you should complete the Structure A Election Form in accordance with the instructions set out in that form and return it to the Share Registry no later than 5.00pm on the Election Date (being Monday, 16 November 2020). To make an Election under the Structure B Scheme to retain all of your VRL Shares, you should complete the Structure B Election Form in accordance with the instructions set out in that form and return it to the Share Registry no later than 5.00pm on the Election Date (being Monday, 16 November 2020). You may make an Election under Each Alternative Scheme (being two separate Elections) or a single Election under Either Alternative Scheme. If you make an invalid Election under Either Alternative Scheme and that Scheme is implemented, you will receive the Cash Consideration for all VRL Shares you hold on the Scheme Record Date.	*Elections – important procedural aspects*, commencing at page 24 Structure A Election Form Structure B Election Form
How can I obtain an Election Form?	If you have not already received an Election Form for Each Alternative Scheme or if you have misplaced your Elections Forms, you can request these by contacting the VRL Shareholder Information Line on 1300 163 094 (within Australia) or +61 3 9415 4151 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time).	
If I make an Election, can I later withdraw or change it?	Yes. You may subsequently withdraw an Election by giving notice in writing to the Share Registry before 5:00pm on the Election Date by email, post or by fax in accordance with the instructions set out in that form. You may also subsequently vary an Election by lodging a replacement Election Form so that it is received before 5.00pm (Melbourne time) on the Election Date (being Monday, 16 November 2020). The last valid Election Form received by the Share Registry before 5.00pm (Melbourne time) on the Election Date will be used to determine your Election and will also apply to the total number of VRL Shares held by that you on the Scheme Record Date (currently proposed to be 7:00pm on Wednesday, 9 December 2020), subject to possible scale back.	
Under the Structure A Scheme, can I make an Election for some but not all of my VRL Shares?	Yes, however a Partial Election under the Structure A Scheme is set at 50% of your Scheme Consideration (with the balance of your Scheme Consideration to be Cash Consideration). You cannot vary this fixed percentage if you wish to make a Partial Election.	*Elections – important procedural aspects*, commencing at page 24
Under the Structure B Scheme, can I make an Election for some but not all of my VRL Shares?	No. An Election under the Structure B Scheme must be for all of your VRL Shares. However, scale back arrangement may apply so that in some circumstances, you may not be able to retain all of the VRL Shares. In those circumstances, you will receive Cash Consideration for the VRL Shares that are acquired by BidCo.	*Elections – important procedural aspects*, commencing at page 24
What happens if I do not make an Election in time or if my Election is invalid?	If Either Alternative Scheme becomes Effective, and your Election for that Scheme is not received by the Share Registry prior to the Election Date, you will receive the Cash Consideration for all of your VRL Shares held on the Scheme Record Date. If your Election is invalid for any reason (including if you are a Foreign Scheme Shareholder), you will receive the Cash Consideration for all your VRL Shares.	*Elections – important procedural aspects*, commencing at page 24

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INDEPENDENT DIRECTORS' RECOMMENDATIONS AND INTENTIONS

Question	Answer	Further Information
Who are the Independent Directors?	The Independent Directors of VRL as at the date of this Scheme Booklet are Mr Peter Tonagh, Mr Robert Le Tet, Ms Anna Duran and Ms Jennifer Fox Gambrell.	Sections 1 and 2
What do the Independent Directors recommend?	Your Independent Directors unanimously recommend that you vote in favour of Each Alternative Scheme, in the absence of a Superior Proposal.	Sections 1 and 2
How are the Independent Directors going to vote?	Each Independent Director intends to vote all VRL Shares they hold or control in favour of Each Alternative Scheme, in the absence of a Superior Proposal. As at the date of this Scheme Booklet, your Independent Directors hold or control in aggregate approximately 0.31% of all VRL Shares on issue.	Sections 1 and 2
What are the prospects of receiving a Superior Proposal?	VRL announced on 18 May 2020 that it had entered into a Transaction Process Deed with BGH. VRL announced on 6 August 2020 that it had entered into a definitive Implementation Agreement with entities controlled by BGH and with VRC in relation to Each Alternative Scheme. VRL's announcements of 18 May 2020 and 6 August 2020 (together with VRL's earlier announcements on 19 December 2019 and 24 January 2020 of the receipt of two separate non-binding indicative control proposals from PEP and BGH respectively) were widely publicised. No Superior Proposal has emerged as at the date of this Scheme Booklet, noting that a potential control transaction for VRL has been publicly foreshadowed for over nine months. Under the Implementation Agreement, VRL is bound by certain exclusivity obligations, including in relation to Competing Proposals. None of those exclusivity obligations preclude VRL from responding to any unsolicited Competing Proposal that may emerge.	Sections 1 and 2
What happens if a Competing Proposal for VRL emerges?	If an unsolicited Competing Proposal for VRL is received before the Scheme Meetings, your Independent Directors will carefully consider it to determine whether it is a Superior Proposal and will inform you of any material developments which may affect your Independent Directors' view that Either Alternative Scheme is presently the most favourable proposal for all of your VRL Shares. BidCo has a right to match any unsolicited Superior Proposal if one is received by VRL. Any change of your Independent Directors' current recommendation in response to a Competing Proposal may result in VRL being obliged to pay a break fee of $4.29 million (inclusive of GST) to BidCo.	Sections 1 and 2
What is the opinion of the Independent Expert?	The Independent Expert has concluded that Each Alternative Scheme is fair and reasonable and therefore in the best interests of (applicable) VRL Shareholders, in the absence of a Superior Proposal. The Independent Expert has valued VRL at $2.03 to $2.80 per VRL Share. The Independent Expert's conclusion that Each Alternative Scheme is in the best interests of VRL Shareholders is based on the Independent Expert adopting a value of $0.12 per share for the Theme Parks Uplift Event. On that basis, Grant Samuel has attributed value of $2.32 to the Cash Consideration under the Structure A Scheme and value of $2.22 to the Cash Consideration under the Structure B Scheme. The Independent Expert has not offered any recommendation in relation to an Election to receive HoldCo Shares (under the Structure A Scheme) or an Election to retain VRL Shares (under the Structure B Scheme).	Appendix 1

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VRC RELATED DIRECTORS' RECOMMENDATIONS AND INTENTIONS

Question	Answer	Further Information
Who are the VRC Related Directors?	Mr Robert Kirby, the Executive Chairman of VRL, Mr Graham Burke, Non-Executive Director, and Mr John Kirby, Non-Executive Director.	Section 2.4
Are the VRC Related Directors making any voting recommendation?	The VRC Related Directors are abstaining from making a voting recommendation on the Structure A Scheme due to their material personal interest in the outcome of the Structure A Scheme. That interest arises in their separate capacities as a director and major shareholder of VRC, being the acquirer of VRL Shares under the Structure A Scheme. In relation to the Structure B Scheme, each VRC Related Director recommends that VRL Shareholders vote in favour of the Structure B Scheme, in the absence of a Superior Proposal. Subject to that same qualification, each VRC Related Director intends to vote all VRL Shares they hold or control in favour of the Structure B Scheme. In relation to Messrs Graham Burke and Robert Kirby, VRL Shareholders should have regard to the post implementation board and executive arrangements that will apply in relation to Messrs Graham Burke and Robert Kirby as outlined in Section 12.8 when considering the voting recommendations of Messrs Graham Burke and Robert Kirby.	Section 2.4
How are VRC and the VRC Principals going to vote?	VRC and the VRC Principals collectively control approximately 40% of VRL's issued Shares. In relation to the Structure A Scheme, neither VRC nor the VRC Principals are eligible to vote, as they are Excluded Shareholders for the purposes of the Structure A Scheme. In relation to the Structure B Scheme, VRC and the VRC Principals are eligible to vote together with all other VRL Shareholders as a single class. VRC and the VRC Principals have advised the Independent Directors that they each intend to vote in favour of the Structure B Scheme, in the absence of a Superior Proposal. VRL has determined that the votes cast in favour of the Structure B Scheme by VRC, each VRC Related Director and VRL related parties will be 'tagged' for the purposes of identification at the Structure B Scheme Meeting so that they can be drawn to the Court's attention at the Second Court Hearing. See Section 2.4 for further details.	Section 2.4
Are VRC and the VRC Principals making an Election?	VRC and the VRC Principals are Excluded Shareholders for the purpose of the Structure A Scheme, meaning they are not eligible to vote on or participate in the Structure A Scheme including making any Election under that Scheme. However, VRC and the VRC Principals have entered into certain ancillary agreements with (among others) HoldCo that are conditional on the Structure A Scheme proceeding. Under those ancillary agreements, if the Structure A Scheme proceeds, the VRC Principals will receive a combination of HoldCo Shares and cash as consideration for the sale of their VRL Shares. VRC and the VRC Principals are eligible to participate in the Structure B Scheme including making an Election under that Scheme to retain all of their VRL Shares. In relation to Elections, VRC has informed the Independent Directors that it intends to make an Election under the Structure B Scheme to retain all of its VRL Shares. The VRC Principals have not yet informed the Independent Directors of their intentions under the Structure B Scheme with respect to the VRL Shares they hold (other than through VRC).	Section 2.4

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VOTING

Question	Answer	Further Information
What am I being asked to vote on?	As a VRL Shareholder, you are being asked to: • vote at the Structure A Scheme Meeting on whether the Structure A Scheme should proceed; and • vote at the Structure B Scheme Meeting on whether the Structure B Scheme should proceed (in the event that the Structure A Scheme does not proceed).	Section 4
When and where will the Structure A Scheme Meeting be held?	The Structure A Scheme Meeting will be held as a virtual (online only) meeting at 11.00am (Melbourne time) on Thursday, 26 November 2020. There will be no physical meeting where VRL Shareholders and their proxies, attorneys or corporate representatives can attend in person. You can attend the Structure A Scheme Meeting by logging in online at https://web.lumiagm.com and using the following Meeting ID: 372-984-605. This online platform enables participants to view the Structure A Scheme Meeting live, vote on the Structure A Scheme Resolution in real time and ask questions online.	Section 4
When and where will the Structure B Scheme Meeting be held?	The Structure B Meeting will be held as a virtual (online only) meeting at 12.00 noon (Melbourne time) on Thursday, 26 November 2020 or as soon as reasonably practicable after the Structure A Scheme Meeting has concluded or been adjourned (whichever time is later). There will be no physical meeting where VRL Shareholders and their proxies, attorneys or corporate representatives can attend in person. You can attend the Structure B Scheme Meeting by logging in online at https://web.lumiagm.com and using the following Meeting ID: 313-617-826. This online platform enables participants to view the Structure B Scheme Meeting live, vote on the Structure B Scheme Resolution in real time and ask questions online.	Section 4
What voting majority is required to approve Either Alternative Scheme?	For Either Alternative Scheme to proceed, the Relevant Scheme Resolution must be passed by: • a majority in number (more than 50%) of eligible VRL Shareholders present and voting at the Relevant Scheme Meeting (personally or by proxy, attorney, or in the case of a VRL Shareholder or proxy who is a corporation, by corporate representative) (**Headcount Test**); and • at least 75% of the total number of votes which are cast at the Relevant Scheme Meeting by eligible VRL Shareholders (personally or by proxy, attorney, or in the case of a VRL Shareholder or proxy who is a corporation, by corporate representative). Either Alternative Scheme must also be approved by the Court before it can become Effective. The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Relevant Scheme Meeting. Due to the unforeseen extraordinary circumstances posed by COVID-19, VRL reserves the right to apply to the Court at the Second Court Hearing to approve Either Alternative Scheme even if the Headcount Test is not satisfied.	Section 4
Am I entitled to vote?	If you are registered as a VRL Shareholder on the Share Register at 7.00pm on Tuesday, 24 November 2020, you will be entitled to attend and vote at the Scheme Meetings (subject to the voting exclusions described below that apply to the Structure A Scheme Meeting).	Section 4
Are there any voting exclusions for the Structure A Scheme?	Yes. For the Structure A Scheme Meeting, VRC and the VRC Principals are Excluded Shareholders, meaning that they are not eligible to vote on or participate in the Structure A Scheme.	Section 4
Are there any voting exclusions for the Structure B Scheme?	No. All VRL Shareholders are eligible to vote on and participate in the Structure B Scheme.	Section 4

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Question	Answer	Further Information
Is voting compulsory?	No, voting is not compulsory. However, Either Alternative Scheme can only proceed if it is approved by the required majorities of eligible VRL Shareholders. Therefore voting is important and the Independent Directors strongly encourage you to vote. If Either Alternative Scheme is implemented, you will be bound by the Relevant Scheme whether or not you were present at the Relevant Scheme Meeting, whether or not you voted and whether or not you voted in favour of it or against it.	Sections 4 and 11
Will the Structure B Scheme Meeting still proceed if the Structure A Scheme Meeting is approved by the requisite voting majorities?	Yes, as a contingency in case the Structure A Scheme is not approved by the Court at the Second Court Date noting that the Court retains an overriding discretion whether or not to approve any scheme of arrangement.	Section 4.2
Should I still vote on the Structure B Scheme even if I vote on the Structure A Scheme?	Yes. It is important that you vote on BOTH the Structure A Scheme and the Structure B Scheme and irrespective of the outcome of the Structure A Scheme shareholder vote. Even if the Structure A Scheme is approved by the requisite majorities of VRL Shareholders (other than Excluded Shareholders) at the Structure A Scheme Meeting, it is possible that the Structure A Scheme does not proceed to be implemented. This may occur if, for example, the Structure A Scheme is not subsequently approved by the Court, noting that the Court retains an overriding discretion whether or not to approve any scheme of arrangement. In those circumstances, the Structure B Scheme will proceed to be implemented (assuming that it is approved by the requisite majorities of VRL Shareholders at the Structure B Scheme Meeting and is approved by the Court). Therefore, your vote on BOTH the Structure A Scheme and the Structure B Scheme is important.	Section 4.2
How do I vote in person?	You may attend the virtual Structure A Scheme Meeting to be held at 11.00 am (Melbourne time) on Thursday, 26 November 2020 by logging in online at https://web.lumiagm.com and using the following Meeting ID: 372-984-605. You may attend the virtual Structure B Scheme Meeting to be held at 12.00 noon (Melbourne time) on Thursday, 26 November 2020 or as soon as reasonably practicable after the Structure A Scheme Meeting has concluded by logging in online at https://web.lumiagm.com and using the following Meeting ID: 313-617-826 following the conclusion or adjournment of the Structure A Scheme Meeting.	Section 4
How do I vote if I'm unable to attend the virtual Scheme Meetings or if I don't wish to do so?	If you are unable to attend the virtual Scheme Meetings by logging in online or if you do not wish to do so, you may vote by completing and lodging the Proxy Forms for Each Alternative Scheme. The Proxy Forms can be lodged by mail or by fax. Alternatively, you may choose to appoint a proxy for the Scheme Meetings online. You can also vote by appointing a corporate representative (if you are a corporate shareholder) or an attorney.	Section 4
When will the results of the Scheme Meetings be known?	The results of the Scheme Meetings will be available during the Scheme Meetings and will be announced online and to ASX shortly after the conclusion of each Scheme Meeting. Even if the Scheme Resolutions are passed at the Scheme Meetings, the Structure A Scheme or the Structure B Scheme (as applicable) will only proceed if Court approval of the Relevant Scheme is obtained and all of the other conditions to the Relevant Scheme are satisfied or waived.	Section 4

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Question	Answer	Further Information
What should I do if I wish to support Each Alternative Scheme?	If you support Each Alternative Scheme you should attend the two virtual Scheme Meetings by logging in online personally or by proxy and vote in favour of both the Structure A Scheme Resolution and the Structure B Scheme Resolution. Alternatively, you may lodge proxy votes in favour of these two alternative Scheme Resolutions.	Section 4
What should I do if I wish to oppose the Structure A Scheme, the Structure B Scheme or both?	If you do not support Either Alternative Scheme: • you should attend both Scheme Meetings, either by logging in online personally or by proxy, and vote against the Scheme Resolutions; and/or • if Shareholders pass either or both Scheme Resolutions at the Scheme Meetings, you may wish to oppose the approval of either Scheme, by filing and serving a notice of opposition and any other supporting documents on VRL by at least one day before the Second Court Date and attending the Second Court Hearing.	Sections 4.5 and 11.3
Can I be bound by Either Alternative Scheme if I do not vote or if I vote against its approval?	Yes. If Either Alternative Scheme becomes Effective and you hold any VRL Shares on the Scheme Record Date (currently expected to be 7.00pm, Wednesday, 9 December 2020), you will be bound by the Relevant Scheme, even if you were not present at the Scheme Meetings, you did not vote or you voted against the Structure A Scheme or the Structure B Scheme or both.	Sections 11.5 and 11.6

OTHER QUESTIONS

Question	Answer	Further Information
Do I have to sign anything in relation to Either Alternative Scheme?	You are required to sign and return to the Share Registry the following documents, if they apply to your circumstances: • **if you wish to make an Election** under Each Alternative Scheme or Either Alternative Scheme, the relevant Election Form(s); and • **if you wish to vote by proxy** at the Scheme Meetings, your Proxy Forms for each Scheme Meeting, by the dates specified in the Important Dates and Times section at page 6 of this Scheme Booklet. If the Structure A Scheme is implemented, VRL will automatically have authority to sign a master share transfer document on behalf of all Structure A Scheme Shareholders in favour of VRC. If the Structure B Scheme is implemented, VRL will automatically have authority to sign a master share transfer document on behalf of all Structure B Scheme Shareholders in favour of BidCo, other than in respect of Retained Shares.	*Elections – important procedural aspects*, commencing at page 24 Sections 4 and 11
What will happen if Either Alternative Scheme is approved by the Court?	If the Court makes orders approving Either Alternative Scheme, VRL will lodge with ASIC an office copy of the Court orders given under section 411(4)(b) of the Corporations Act approving the Relevant Scheme. It is expected that this will occur on the Business Day immediately following the Second Court Hearing. The Relevant Scheme will then become Effective and it will proceed to be implemented. VRL Shares are expected to cease trading on the ASX from the close of trading on the Effective Date (currently expected to be Monday, 7 December 2020).	Section 11

Question	Answer	Further Information
What happens on the Implementation Date?	On the Implementation Date (currently expected to be Wednesday, 16 December 2020), the Relevant Scheme will be implemented which will include the following steps: • under the Structure A Scheme, you will receive your Scheme Consideration, VRC will acquire all of the VRL Shares and if you have made a valid Election to receive HoldCo Shares, you will become a party to and bound by the HoldCo Shareholders' Deed; or • under the Structure B Scheme, you will receive your Scheme Consideration, BidCo will acquire all of the VRL Shares other than the Retained Shares and if you are a Retaining Shareholder, you will become a party to and bound by the VRL Shareholders' Deed. It is intended that VRL will be delisted after the Implementation Date. You are not required to do anything in relation these implementation matters. If you have made a valid Election under the Structure A Scheme, you will from the Implementation Date be automatically bound by the HoldCo Shareholders' Deed and any custodian arrangements for your HoldCo B Shares to be held on your behalf. If you have made a valid Election under the Structure B Scheme, you will from the Implementation Date be automatically bound by the VRL Shareholders' Deed and any custodian arrangements for your VRL Shares to be held on your behalf.	Sections 7, 8 and 11
What if I have further questions?	If you have any further questions about Either Alternative Scheme, please contact the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne). For information about your individual circumstances, please consult your financial, legal, taxation or other professional adviser.	NA

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4 HOW TO VOTE

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4. HOW TO VOTE

4.1 Structure A Scheme Meeting

The notice convening the Structure A Scheme Meeting is contained in Appendix 4 to this Scheme Booklet. A personalised Proxy Form for the Structure A Scheme Meeting accompanies this Scheme Booklet.

In response to the global COVID-19 pandemic and government restrictions on physical gatherings, the Structure A Scheme Meeting will be held as a virtual (online only) meeting at 11.00am (Melbourne time) on Thursday, 26 November 2020. There will be no physical meeting where VRL Shareholders their proxies, attorneys or corporate representatives can attend in person. A virtual Scheme Meeting is also permitted by amendments made under section 5 of the *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, issued by the Commonwealth Treasurer dated 5 May 2020 and extended on 31 July 2020. A virtual Structure A Scheme Meeting has been authorised by the Court at the First Court Hearing.

You can attend the virtual Structure A Scheme Meeting by logging in online at https://web.lumiagm.com and using the following Meeting ID: 372-984-605. Please refer to Section 4.4 below for further details on how to attend the virtual Structure A Scheme Meeting.

For the Structure A Scheme to be approved by VRL Shareholders, votes in favour of the Structure A Scheme must be received from:

- a majority in number (more than 50%) of VRL Shareholders (other than Excluded Shareholders) present and voting at the Structure A Scheme Meeting (personally or by proxy, attorney, or in the case of a VRL Shareholder or proxy who is a corporation, by corporate representative) (**Headcount Test**); and
- at least 75% of the total number of votes which are cast at the Structure A Scheme Meeting by VRL Shareholders (other than Excluded Shareholders) (personally or by proxy, attorney, or in the case of a VRL Shareholder or proxy who is a corporation, by corporate representative).

The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Structure A Scheme Meeting. Due to the unforeseen extraordinary circumstances posed by COVID-19, VRL reserves the right to apply to the Court at the Second Court Hearing to approve the Structure A Scheme even if the Headcount Test is not satisfied.

The purpose and effect of the Structure A Scheme are as summarised in Section 1 and are more particularly described in Section 7.

4.2 Structure B Scheme Meeting

The notice convening the Structure B Scheme Meeting is contained in Appendix 7 to this Scheme Booklet. A personalised Proxy Form for the Structure B Scheme Meeting accompanies this Scheme Booklet.

In response to the global COVID-19 pandemic and government restrictions on physical gatherings, the Structure B Scheme Meeting will be held as a virtual (online only) meeting at 12.00 noon (Melbourne time) on Thursday, 26 November 2020 or as soon as reasonably practicable after the Structure A Scheme Meeting has concluded or been adjourned (whichever time is later). There will be no physical meeting where VRL Shareholders, their proxies, attorneys or corporate representatives can attend in person. A virtual Scheme Meeting is also permitted by amendments made under section 5 of the *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020,* issued by the Commonwealth Treasurer dated 5 May 2020 and extended on 31 July 2020. A virtual Structure B Scheme Meeting has been authorised by the Court at the First Court Hearing.

You can attend the virtual Structure B Scheme Meeting by logging in online at https://web.lumiagm.com and using the following Meeting ID: 313-617-826. Please refer to Section 4.4 below for further details on how to attend the virtual Structure B Scheme Meeting.

For the Structure B Scheme to be approved by VRL Shareholders, votes in favour of the Structure B Scheme must be received from:

- a majority in number (more than 50%) of VRL Shareholders present and voting at the Structure B Scheme Meeting (personally or by proxy, attorney, or in the case of a VRL Shareholder or proxy who is a corporation, by corporate representative) (**Headcount Test**); and
- at least 75% of the total number of votes which are cast at the Structure B Scheme Meeting by VRL Shareholders (personally or by proxy, attorney, or in the case of a VRL Shareholder or proxy who is a corporation, by corporate representative).

The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Structure B Scheme Meeting. Due to the unforeseen extraordinary circumstances posed by COVID-19, VRL reserves the right to apply to the Court at the Second Court Hearing to approve the Structure B Scheme even if the Headcount Test is not satisfied.

The purpose and effect of the Structure B Scheme are as summarised in Section 1 and are more particularly described in Section 8.

One of the conditions of the Structure B Scheme is that the Structure A Scheme is not approved by VRL Shareholders (other than the Excluded Structure A Shareholders) at the Structure A Scheme Meeting or the Structure A Scheme is not approved by the Court.

Accordingly, irrespective of whether or not the Structure A Scheme Resolution is approved by Shareholders at the Structure A Scheme Meeting, the Structure B Scheme Meeting will still proceed.

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You should also note that even if the Structure A Scheme is approved by the requisite majorities of VRL Shareholders (other than Excluded Shareholders) at the Structure A Scheme Meeting, it is possible that the Structure A Scheme may not proceed to be implemented. This could occur if the Structure A Scheme is not subsequently approved by the Court, noting that the Court retains an overriding discretion whether or not to approve any scheme of arrangement.

In those circumstances, the Structure B Scheme will proceed to be implemented (assuming that it is approved by the requisite majorities of VRL Shareholders at the Structure B Scheme Meeting and is approved by the Court).

Accordingly, it is important for you to vote on BOTH the Structure A Scheme and the Structure B Scheme and irrespective of the outcome of the Structure A Scheme shareholder vote.

4.3 Your vote is important

Your Independent Directors urge all VRL Shareholders to vote on Each Alternative Scheme at the Scheme Meetings. Each Alternative Scheme affects your Shareholding and your votes at the Scheme Meetings are important in determining whether Either Alternative Scheme proceeds.

Your Independent Directors encourage all VRL Shareholders to vote in favour of Each Alternative Scheme either by personally participating in the virtual (online only) Scheme Meetings to be held on Thursday, 26 November 2020, with the Structure A Scheme Meeting commencing at 11.00am on that date and the Structure B Scheme Meeting to be held at 12.00 noon (Melbourne time) on that same date or as soon as reasonably practicable after the Structure A Scheme Meeting has concluded or been adjourned (whichever time is later); or by appointing a proxy, an attorney or, in the case of a VRL Shareholder or proxy who is a corporation, a corporate representative to participate in the Meetings and vote on your behalf.

You may appoint a proxy to vote on your behalf by either:

- completing and returning the Structure A Scheme Meeting Proxy Form and the Structure B Scheme Meeting Proxy Form which accompany this Scheme Booklet; or
- appointing a proxy online via www.investorvote.com.au by following the instructions on that website.

For your proxy appointment to be effective:

- your Structure A Scheme Meeting Proxy Form and Structure B Scheme Meeting Proxy Form must be received by the Share Registry (whether by mail, by fax, or by lodging your proxy online) by 11.00am (Melbourne time) on Tuesday, 24 November 2020; or
- if you choose to appoint a proxy online – this appointment must be done by 11.00am (Melbourne time) on Tuesday, 24 November 2020.

Further information on your voting alternatives is provided in Section 2.10.

4.4 Guide to participating in the virtual Scheme Meetings

To attend and participate in the virtual Scheme Meetings, please follow the steps below.

Step 1 - Getting started

To attend and participate in the virtual Scheme Meetings, you will need to access 'Lumi AGM'. Lumi AGM may be accessed by downloading the Lumi AGM app on your smartphone device from the Google Play Store™ or the Apple® App Store by searching for the app name 'Lumi AGM'.

Alternatively, Lumi AGM can be accessed using the latest versions of Chrome, Safari, Internet Explorer 11, Edge and Firefox on a PC, tablet or smartphone device by going to the website https://web.lumiagm.com. Please ensure your browser is compatible. You can check your current internet browser by going to the website: whatismybrowser.com.

Step 2 – Join the virtual Scheme Meetings

Login to Lumi AGM

To login to the portal, you will need the following information:

Structure A Scheme Meeting ID	372-984-605
Structure B Scheme Meeting ID	313-617-826
Australian Residents	**Username:** (personalised SRN or HIN number on your Proxy Form) and **Password:** (postcode of your registered address)
Overseas Residents	**Username:** (personalised SRN or HIN number on your Proxy Form) and **Password:** three character country code (e.g., New Zealand - NZL) A full list of country codes can be found at the end of this Section 4.4.
Appointed Proxy	To receive your Username and Password, please contact Computershare Investor Services on + 61 3 9415 4024 during the online registration period which will be open 1 hour before the start of the meeting.

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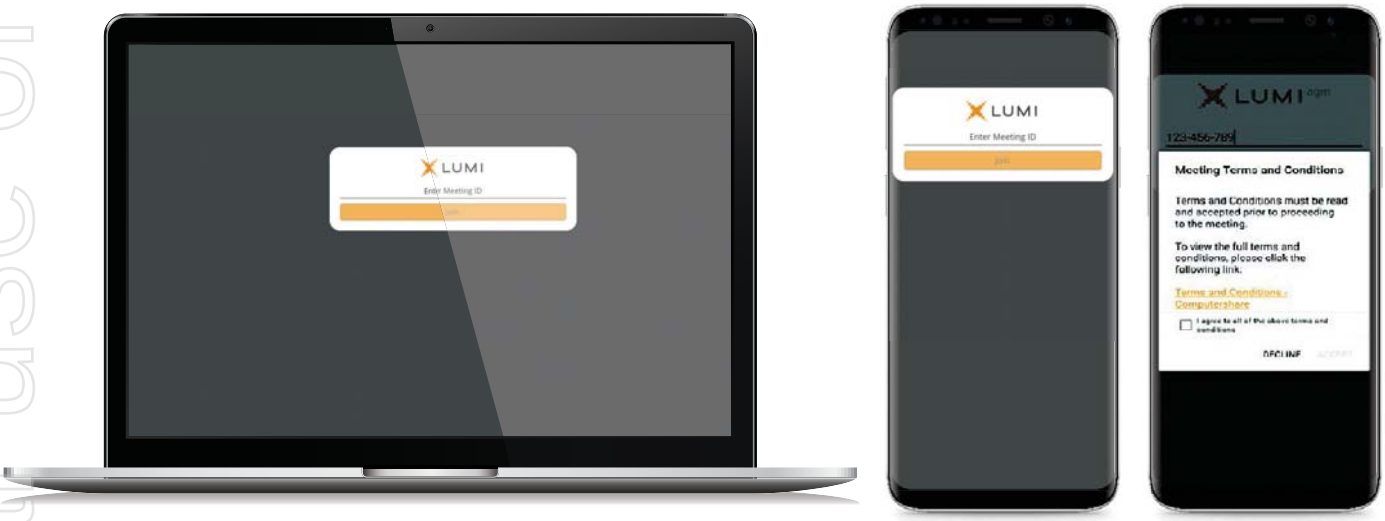
You will need to separately login to each Scheme Meeting by:

- opening the Lumi AGM app on your smartphone device; or
- in a supported browser, going to https://web.lumiagm.com on your PC, tablet or smartphone device,

and entering the relevant Scheme Meeting ID from the table above. If you attempt to log into the Lumi AGM app before the commencement of a Scheme Meeting, a dialogue box will appear.

To proceed to the relevant Scheme Meeting, you will need to read and accept the terms and conditions.



Register

Registration for each virtual Scheme Meeting will be open 1 hour before the start of each Scheme Meeting.

If you are a VRL Shareholder or a joint VRL Shareholder, select 'I have a login' and enter your username (which will be your personalised SRN or HIN number on your Proxy Form) and password (being your postcode or country code and select join.

If you are a proxy holder you will need to enter the unique username and password provided by Computershare and select login.

If you are accessing a virtual Scheme Meeting as a guest, select 'I am a guest' and enter your name and email details and select join. Guests attending a Scheme Meeting will not be able to ask questions or vote.

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Home page and documents

Once you have registered for a Scheme Meeting, you will be taken to the home page, which displays your name, the Scheme Meeting documents and information on the Scheme Meeting.

The following icons will be displayed:

Broadcast	The broadcast bar allows you to view and listen to the Scheme Meeting
i	Home page icon, displays meeting information
	Questions icon, used to ask questions
	Voting icon, used to vote. Only visible when the chairman opens the poll

If you have joined a Scheme Meeting as a visitor, you will not be able to access the 'Questions' or 'Voting' icons.

If you would like to refer to the Scheme Booklet at any stage during the Relevant Scheme Meetings, you can do so by displaying the home page and then clicking the 'Scheme Booklet' link.

Step 3 – Watching and participating in a Scheme Meeting

Viewing the broadcast of a Scheme Meeting

To watch a Scheme Meeting, you must tap on the broadcast arrow on the 'Broadcast bar' on your screen. Depending on the speed of your internet, the video and/or the presentation slides accompanying the Scheme Meeting will appear after approximately 30 seconds. If prompted you may have to click the play button in the window to initiate the broadcast.

Attendees can toggle the up and down arrow on the 'Broadcast bar' to view another screen.

We recommend that once you have logged in, you keep your browser or the app open for the duration of the meeting. If you close your browser you will be asked to repeat the login process.

To vote at a Scheme Meeting

When the Chair declares the poll open the voting icon will appear on your screen and the relevant Scheme resolution will be displayed.

To cast a vote:

- select the voting option corresponding with the way you wish to vote on the relevant Scheme Resolution;
- once the voting option has been selected, the vote you selected will be highlighted;
- if you change your mind and wish to change your vote, you can simply select the new vote or cancel your vote at any time before the Chair closes the poll.

The number of items you have voted on or yet to vote on will be displayed at the top your screen.

To ask questions

Questions may be submitted by selecting the Questions icon and typing your question in the chat box which appears at the bottom of your screen. When you have finished typing your question, select the send icon (▶) to submit the question. You will receive confirmation that your question or comment has been received.

The Chair will give all Shareholders a reasonable opportunity to ask questions and comment and will endeavour to answer questions at the Scheme Meetings.

If you need assistance

If you require assistance prior to or during a Scheme Meeting, please call the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia.

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Country Codes

Set out below are the list of country codes for overseas shareholders to enter into the password field when logging in to join the virtual Scheme Meetings.

ABW	ARUBA
AFG	AFGHANISTAN
AGO	ANGOLA
AIA	ANGUILLA
ALA	ALAND ISLANDS
ALB	ALBANIA
AND	ANDORRA
ANT	NETHERLANDS ANTILLES
ARE	UNITED ARAB EMIRATES
ARG	ARGENTINA
ARM	ARMENIA
ASM	AMERICAN SAMOA
ATA	ANTARCTICA
ATF	FRENCH SOUTHERN TERRITORIES
ATG	ANTIGUA AND BARBUDA
AUS	AUSTRALIA
AUT	AUSTRIA
AZE	AZERBAIJAN
BDI	BURUNDI
BEL	BELGIUM
BEN	BENIN
BFA	BURKINA FASO
BGD	BANGLADESH
BGR	BULGARIA
BHR	BAHRAIN
BHS	BAHAMAS
BIH	BOSNIA & HERZEGOVINA
BLM	ST BARTHELEMY
BLR	BELARUS
BLZ	BELIZE
BMU	BERMUDA
BOL	BOLIVIA
BRA	BRAZIL
BRB	BARBADOS
BRN	BRUNEI DARUSSALAM
BTN	BHUTAN
BUR	BURMA
BVT	BOUVET ISLAND
BWA	BOTSWANA
CAF	CENTRAL AFRICAN REPUBLIC
CAN	CANADA
CCK	COCOS (KEELING) ISLANDS
CHE	SWITZERLAND
CHL	CHILE
CHN	CHINA
CIV	COTE D'IVOIRE
CMR	CAMEROON
COD	CONGO DEMOCRATIC REPUBLIC OF
COG	CONGO PEOPLES REPUBLIC OF
COK	COOK ISLANDS
COL	COLOMBIA
COM	COMOROS
CPV	CAPE VERDE
CRI	COSTA RICA
CUB	CUBA
CXR	CHRISTMAS ISLAND
CYM	CAYMAN ISLANDS
CYP	CYPRUS
CZE	CZECH REPUBLIC
DEU	GERMANY
DJI	DJIBOUTI
DMA	DOMINICA
DNK	DENMARK
DOM	DOMINICAN REPUBLIC
DZA	ALGERIA
ECU	ECUADOR
EGY	EGYPT
ERI	ERITREA
ESH	WESTERN SAHARA
ESP	SPAIN
EST	ESTONIA
ETH	ETHIOPIA
FIN	FINLAND
FJI	FIJI
FLK	FALKLAND ISLANDS (MALVINAS)
FRA	FRANCE
FRO	FAROE ISLANDS
FSM	MICRONESIA
GAB	GABON
GBR	UNITED KINGDOM
GEO	GEORGIA
GGY	GUERNSEY
GHA	GHANA
GIB	GIBRALTAR
GIN	GUINEA
GLP	GUADELOUPE
GMB	GAMBIA
GNB	GUINEA-BISSAU
GNQ	EQUATORIAL GUINEA
GRC	GREECE
GRD	GRENADA
GRL	GREENLAND
GTM	GUATEMALA
GUF	FRENCH GUIANA
GUM	GUAM
GUY	GUYANA
HKG	HONG KONG
HMD	HEARD AND MCDONALD ISLANDS
HND	HONDURAS
HRV	CROATIA
HTI	HAITI
HUN	HUNGARY
IDN	INDONESIA
IMN	ISLE OF MAN
IND	INDIA
IOT	BRITISH INDIAN OCEAN TERRITORY
IRL	IRELAND
IRN	IRAN ISLAMIC REPUBLIC OF
IRQ	IRAQ
ISL	ICELAND
ISM	BRITISH ISLES
ISR	ISRAEL
ITA	ITALY
JAM	JAMAICA
JEY	JERSEY
JOR	JORDAN
JPN	JAPAN
KAZ	KAZAKHSTAN
KEN	KENYA
KGZ	KYRGYZSTAN
KHM	CAMBODIA
KIR	KIRIBATI
KNA	ST KITTS AND NEVIS
KOR	KOREA REPUBLIC OF
KWT	KUWAIT
LAO	LAO PDR
LBN	LEBANON
LBR	LIBERIA
LBY	LIBYAN ARAB JAMAHIRIYA
LCA	ST LUCIA
LIE	LIECHTENSTEIN
LKA	SRI LANKA
LSO	LESOTHO
LTU	LITHUANIA
LUX	LUXEMBOURG
LVA	LATVIA
MAC	MACAO
MAF	ST MARTIN
MAR	MOROCCO
MCO	MONACO
MDA	MOLDOVA REPUBLIC OF
MDG	MADAGASCAR
MDV	MALDIVES
MEX	MEXICO
MHL	MARSHALL ISLANDS
MKD	MACEDONIA FORMER YUGOSLAV REP
MLI	MALI
MLT	MALTA
MMR	MYANMAR
MNE	MONTENEGRO
MNG	MONGOLIA
MNP	NORTHERN MARIANA ISLANDS
MOZ	MOZAMBIQUE
MRT	MAURITANIA
MSR	MONTSERRAT
MTQ	MARTINIQUE
MUS	MAURITIUS
MWI	MALAWI
MYS	MALAYSIA
MYT	MAYOTTE
NAM	NAMIBIA
NCL	NEW CALEDONIA
NER	NIGER
NFK	NORFOLK ISLAND
NGA	NIGERIA
NIC	NICARAGUA
NIU	NIUE
NLD	NETHERLANDS
NOR	NORWAY
NPL	NEPAL
NRU	NAURU
NZL	NEW ZEALAND
OMN	OMAN
PAK	PAKISTAN
PAN	PANAMA
PCN	PITCAIRN ISLANDS
PER	PERU
PHL	PHILIPPINES
PLW	PALAU
PNG	PAPUA NEW GUINEA
POL	POLAND
PRI	PUERTO RICO
PRK	KOREA DEM PEOPLES REPUBLIC OF
PRT	PORTUGAL
PRY	PARAGUAY
PSE	PALESTINIAN TERRITORY OCCUPIED
PYF	FRENCH POLYNESIA
QAT	QATAR
REU	REUNION
ROU	ROMANIA
RUS	RUSSIAN FEDERATION
RWA	RWANDA
SAU	SAUDI ARABIA KINGDOM OF
SCG	SERBIA AND MONTENEGRO
SDN	SUDAN
SEN	SENEGAL
SGP	SINGAPORE
SGS	STH GEORGIA & STH SANDWICH ISL
SHN	ST HELENA
SJM	SVALBARD & JAN MAYEN
SLB	SOLOMON ISLANDS
SLE	SIERRA LEONE
SLV	EL SALVADOR
SMR	SAN MARINO
SOM	SOMALIA
SPM	ST PIERRE AND MIQUELON
SRB	SERBIA
STP	SAO TOME AND PRINCIPE
SUR	SURINAME
SVK	SLOVAKIA
SVN	SLOVENIA
SWE	SWEDEN
SWZ	SWAZILAND
SYC	SEYCHELLES
SYR	SYRIAN ARAB REPUBLIC
TCA	TURKS AND CAICOS ISLANDS
TCD	CHAD
TGO	TOGO
THA	THAILAND
TJK	TAJIKISTAN
TKL	TOKELAU
TKM	TURKMENISTAN
TLS	EAST TIMOR DEMOCRATIC REP OF
TMP	EAST TIMOR
TON	TONGA
TTO	TRINIDAD & TOBAGO
TUN	TUNISIA
TUR	TURKEY
TUV	TUVALU
TWN	TAIWAN
TZA	TANZANIA UNITED REPUBLIC OF
UGA	UGANDA
UKR	UKRAINE
UMI	UNITED STATES MINOR OUTLYING
URY	URUGUAY
USA	UNITED STATES OF AMERICA
UZB	UZBEKISTAN
VAT	HOLY SEE (VATICAN CITY STATE)
VCT	ST VINCENT & THE GRENADINES
VEN	VENEZUELA
VGB	BRITISH VIRGIN ISLANDS
VIR	US VIRGIN ISLANDS
VNM	VIETNAM
VUT	VANUATU
WLF	WALLIS AND FUTUNA
WSM	SAMOA
YEM	YEMEN
YMD	YEMEN DEMOCRATIC
YUG	YUGOSLAVIA SOCIALIST FED REP
ZAF	SOUTH AFRICA
ZAR	ZAIRE
ZMB	ZAMBIA
ZWE	ZIMBABWE

4.5 How to vote

a. Voting entitlement

If you are registered as a VRL Shareholder by the Share Registry at the Voting Entitlement Time (7.00pm (Melbourne time) on Tuesday, 24 November 2020), you will be entitled to vote at the Scheme Meetings.

Voting at the Scheme Meetings will be conducted by poll.

b. Voting in person

VRL Shareholders wishing to vote in person or their attorneys or, in the case of a VRL Shareholder or proxy which is a corporation, corporate representatives, should participate in the virtual Scheme Meetings by logging in online at https://web.lumiagm.com.

VRL Shareholders, their attorneys or in the case of VRL Shareholders or proxies which are corporations, corporate representatives, who plan to participate in the virtual Scheme Meetings should log in online 15 minutes prior to the time designated for the commencement of the Scheme Meeting, if possible, to register.

Following the conclusion or adjournment of the Structure A Scheme Meeting, VRL Shareholders, their attorneys or in the case of VRL Shareholders or proxies which are corporations, corporate representatives, who plan to participate in the virtual Structure B Scheme Meeting should log in online to register.

Voting by attorney

If a VRL Shareholder executes or proposes to execute any document, or do any act, by or through an attorney which is relevant to that VRL Shareholder's shareholding in VRL, that VRL Shareholder must deliver the instrument appointing the attorney to the Share Registry for notation.

VRL Shareholders wishing to vote by attorney at the Scheme Meetings must, if they have not already presented an appropriate power of attorney to VRL for notation, deliver to the Share Registry (at the address or facsimile number provided in Section 4.5(c)) the original instrument appointing the attorney or a certified copy of it by 11.00am (Melbourne time) on Tuesday, 24 November 2020.

Any power of attorney granted by a VRL Shareholder will, as between VRL and that VRL Shareholder, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant VRL Shareholder is lodged with VRL.

Voting by corporate representative

To vote at the Scheme Meetings, a VRL Shareholder or proxy which is a corporation may appoint an individual to act as its representative.

To vote by corporate representative at the Scheme Meetings, a VRL Shareholder or proxy which is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Share Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Share Registry before the commencement of the meeting.

The appointment of a representative may set out restrictions on the representative's powers.

The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

The chairman of the meeting may permit a person claiming to be a representative to exercise the body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.

c. Voting by proxy

VRL Shareholders wishing to appoint a proxy to vote on their behalf at the Scheme Meetings must either complete and sign or validly authenticate the personalised Structure A Scheme Meeting Proxy Form and Structure B Scheme Meeting Proxy Form, both of which accompany this Scheme Booklet. Alternatively, VRL Shareholders may lodge their proxies for the Scheme Meetings online. A person appointed as a proxy may be an individual or a body corporate.

Completed Proxy Forms for the Scheme Meetings must be delivered to the Share Registry by 11.00am (Melbourne time) on Tuesday, 24 November 2020 in any of the following ways:

By post in the enclosed reply paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) provided to the Share Registry:

Village Roadshow Limited C/- Computershare Investor Services Limited
GPO Box 242 Melbourne Victoria 3001 Australia

By fax to the Share Registry on 1800 783 447 (within Australia) and +61 3 9473 2555 (outside Australia.

Alternatively you may choose to appoint a proxy online as follows:

Online if you wish to appoint your proxy online, you should do so by visiting www.investorvote.com.au by following the instructions on that website. Online appointments of proxies for both Scheme Meetings must be done by 11.00am (Melbourne time) on Tuesday, 24 November 2020.

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Proxies participating in the virtual Scheme Meetings will need to enter the unique username and password provided by Computershare and select login.

Undirected proxies

If a VRL Shareholder nominates the chairman of the Structure A Scheme Meeting or the Structure B Scheme Meeting as that VRL Shareholder's proxy, the person acting as chairman of the Structure A Scheme Meeting or the Structure B Scheme Meeting must act as proxy under the appointment in respect of any or all items of business to be considered at the Structure A Scheme Meeting or the Structure B Scheme Meeting.

If a proxy appointment is signed or validly authenticated by that VRL Shareholder but does not name the proxy or proxies in whose favour it is given, the chairman of the Structure A Scheme Meeting or the Structure A Scheme Meeting may at his election act as proxy in respect of any or all items of business to be considered at the Structure A Scheme Meeting or the Structure B Scheme Meeting.

Structure A Scheme Meeting

Proxy appointments in favour of the Chairman of the Structure A Scheme Meeting, the company secretary or any VRL Director which do not contain a direction as to how to vote will be voted in support of the Structure A Scheme resolution at the Structure A Scheme Meeting (in the absence of a Superior Proposal from another party prior to the date of the Structure A Scheme Meeting).

Structure B Scheme Meeting

Proxy appointments in favour of the Chairman of the Structure B Scheme Meeting, the company secretary or any VRL Director which do not contain a direction as to how to vote will be voted in support of the Structure B Scheme resolution at the Structure B Scheme Meeting (in the absence of a Superior Proposal from another party prior to the date of the Structure B Scheme Meeting).

4.6 Further information

Please refer to the Notice of Structure A Scheme Meeting and the Notice of Structure B Scheme Meeting in Appendix 4 and Appendix 7 respectively to this Scheme Booklet for further information on voting procedures and details of the resolutions to be voted on at the Scheme Meetings.

The results of the Scheme Meetings will be available online during each Scheme Meeting and will be announced to ASX shortly after the conclusion of the Meetings.

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5 PROFILE OF VRL

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5. PROFILE OF VRL

5.1 Background

VRL (ASX: VRL) is one of Australia's leading out-of-home entertainment companies. Founded by Roc Kirby in 1954 in Melbourne, Australia with a drive-in cinema, VRL has been listed on the ASX since 1988.

The VRL Group operates a diversified portfolio of entertainment businesses across Theme Parks, Cinema Exhibition, Film Distribution and Marketing Solutions. Together, these businesses entertain millions of people annually and represent a diversified, complementary portfolio of entertainment assets targeting a similar customer demographic.

As at the Last Practicable Date, VRL had a market capitalisation of approximately $429.7 million (based on a closing price of $2.20 per VRL Share).

For the financial year ended 30 June 2020, VRL Group reported revenue of $732 million and EBITDA of $31 million (excluding the impact of the new lease accounting standard AASB-16). For the half-year ended 31 December 2019, VRL Group reported revenue of $491 million and EBITDA of $59 million (excluding AASB-16 impact).

VRL Group is headquartered in Melbourne, Australia. VRL Group employs more than 5,000 people.

5.2 Corporate History

VRL Group has a long and proud heritage within the Australian entertainment industry going back 66 years. The timeline below outlines the history and evolution of the business.

1954	Founded by Roc Kirby and commenced operations, owning and managing one drive-in cinema in Melbourne
1960s	Entered the film distribution industry
1970s	Entered the film production industry
1980s	• Began developing state-of-the-art multiplex cinema complexes, raising the industry standards • Formed the Australian Theatres joint venture with EVENT Hospitality & Entertainment (then known as Amalgamated Holdings Ltd.)
1988	Listed on the ASX
1989	Diversified into complementary entertainment businesses, purchasing Wet'n'Wild
1990s	Consolidated commercial radio stations nationally
1992	Built and opened Warner Bros. Movie World Acquired Sea World and Sea World Resort & Water Park
1997	First Gold Class Cinema opened
2006	Opened Australian Outback Spectacular
2011	Sold stake in Austereo Group in a takeover offer from Southern Cross Media
2015	Acquired 80% of UK-based Opia
2017	• Completed the sale and leaseback of Gold Coast land • Sold stake in Golden Village Singapore
2018	• Opened Topgolf at the Gold Coast • Sold Wet'n'Wild Sydney
2019	Sold Edge Loyalty Systems
Today	VRL Group proudly employs over 5,000 people across a leading diversified portfolio of entertainment businesses

5.3 Overview of operations

Theme Parks

The VRL Group is Australia's largest theme park operator. Its Theme Parks division is headquartered on the Gold Coast, where it operates Warner Bros. Movie World, Sea World, Wet'n'Wild Gold Coast, Topgolf Gold Coast, Australian Outback Spectacular and Paradise Country, as well as Sea World Resort & Water Park and Village Roadshow Studios. Collectively these Queensland based Village Roadshow Theme Parks enjoyed around 5 million guests in FY19.

The VRL Group also operates and has majority ownership in Wet'n'Wild Las Vegas and operates the multi-level Lionsgate Entertainment World theme park at Novotown on Hengqin Island, China.

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Cinema Exhibition

The VRL Group's Cinema Exhibition division operates under the Village Entertainment brand and includes the Village Cinemas and Intencity businesses. The division continues to diversify into a range of dynamic entertainment offerings including premium bar concepts and standalone food and beverage brands.

Village Cinemas is one of Australia's largest cinema operators, and combined with joint venture partner Event Hospitality & Entertainment Limited has 577 screens across 57 sites across all Australian states. Since commencing operations in the 1950s, Village Cinemas has both expanded the number of cinemas it operates and enriched the cinema going experience. In particular Village Roadshow was one of the first companies to develop the multiplex concept and make stadium seating a standard fixture in all its cinemas. It was also Australia's first major cinema exhibitor to convert 100% of its screens to the digital format. Village Cinemas continues to invest in the growth category of premium cinemas via its four key premium cinema concepts: Gold Class, Vmax, Vjunior and Vpremium.

Film Distribution

The VRL Group commenced distributing films under the Roadshow brand in 1970 and in August 2007 Roadshow became a wholly owned subsidiary of the VRL Group. Roadshow Films distributes theatrical movies to cinema, pay television and free to air television in Australia and New Zealand. As well as holding the exclusive distribution rights for movies produced by Los Angeles based Village Roadshow Pictures, Roadshow Films has long-standing contracts to distribute movies for key film suppliers, Warner Bros.[13], STX and FilmNation Entertainment Inc., a US-based international film sales and production/distribution company.

Roadshow is the leading independent distributor of DVD, Blu-ray and digital to the retail and rental channels and online platforms. In addition to theatrical partners, the company's home entertainment relationships include the ABC, and free to air networks (including digital and multi-channels) and subscription video on demand platforms.

An active supporter of Australian film and television, Roadshow's strategy includes investing in original content creation through Roadshow Rough Diamond, a 50% interest in BlinkTV, and a 31% interest in FilmNation.

Marketing Solutions

Through an 80% interest in UK-based Opia, VRL Group's Marketing Solutions division delivers consumer incentive programs for many of the world's leading brands.

Opia is a global marketing consultancy agency and market leader that creates brand sales promotion campaigns for leading international consumer electronic brands with established long term relationships with major blue chip companies. Opia specialises in experience-led promotions that engage audiences, support brand perception, and, crucially, drive consumers to buy.

5.4 Impact of Covid-19 on operations

The COVID-19 pandemic has had a significant adverse impact on the VRL Group's businesses, including:

- temporary closure of its two main operating businesses (Theme Parks and Cinema Exhibition) as a result of COVID-19 related Government directives;
- strict international and state border control measures having a significant negative impact on Queensland tourism;
- movie release delays and reductions in estimated box office impacting the potential performance of VRL's Cinemas Exhibition business;
- social distancing requirements limiting the capacity of VRL's theme parks and VRL's cinemas once reopened;
- implementation of a number of measures to conserve capital and maintain operating liquidity, including working with landlords and other suppliers to substantially reduce operating expenditure and deferring non-essential capital expenditure; and
- standing down all employees not performing essential tasks.

The COVID-19 pandemic continues to adversely impact the VRL Group. As at the date of this Scheme Booklet, all of the VRL Group's Gold Coast theme parks and the majority of its cinemas (except theatres in Victoria) have re-opened, however they are all currently operating at reduced capacity to comply with social distancing regulations in the relevant State. Border restrictions are having a negative impact on visitors to the Gold Coast (both interstate and international) which is a key driver of revenue for the Theme Parks division. The VRL Group is aiming to reopen its metropolitan Melbourne cinemas by late October, provided COVID-19 restrictions allow.

The COVID-19 related closures of the VRL Group's two key operating businesses had a material impact on VRL Group's financial position. Throughout the closure period and despite accessing the JobKeeper program, VRL Group's monthly net cash costs were between $10 - $15 million per month. VRL Group is still operating on a negative cash basis which it expects will continue for several months.

To support the VRL Group's liquidity, the VRL Group secured an additional funding of $70 million from its existing lenders and the Queensland Treasury Corporation.

It is uncertain when the VRL Group's businesses can expect to operate at levels observed prior to the impact of COVID-19, given the range of unknown factors such as further COVID-19 lock down periods, cross-border closures, social distancing restrictions and the status of a vaccine.

13 VRL's contract for theatrical distribution with Warner Bros. ends on 31 December 2020. Please refer to VRL's ASX announcement on 21 September 2020.

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5.5 VRL Board and senior management team

a. VRL Board

As at the date of this Scheme Booklet, the VRL Board comprises:

Name	Current Position
Robert Kirby	Executive Chairman, Executive Director
Graham Burke	Non-Executive Director
John Kirby	Non-Executive Director
Peter Tonagh	Lead Independent Non-Executive Director
Jennifer Fox Gambrell	Independent Non-Executive Director
Robert Le Tet	Independent Non-Executive Director
Anna Duran	Independent Non-Executive Director
Julie Raffe	Finance Director

b. VRL Group senior management

As at the date of this Scheme Booklet, the senior management team of the VRL Group comprises:

Name	Current Position
Clark Kirby	Chief Executive Officer, VRL Group and VRL Theme Parks
Julie Raffe	Finance Director
Simon Phillipson	Director of Corporate Affairs / General Counsel
Kirk Edwards	Chief Executive Officer, Cinema Exhibition and Topgolf
Joel Pearlman	Chief Executive Officer, Film Distribution
Steve Gales	Co-Chief Executive Officer, Opia
Andrew Marwick	Co-Chief Executive Officer, Opia

5.6 Capital structure

As at the Last Practicable Date, VRL had 195,300,579 VRL Shares on issue. No other securities in VRL are on issue.

5.7 Substantial holders

As at the Last Practicable Date, VRL has the following substantial shareholders.

Substantial holder	Number of VRL Shares	Voting power
BGH, HoldCo and BidCo and other entities controlled by HoldCo	77,940,322	39.91%
Village Roadshow Corporation Pty Ltd, Robert Kirby, Graham Burke, John Kirby and other entities affiliated with them	77,940,322	39.91%
Mittleman Investment Management, LCC and other entities affiliated with them	16,590,723	8.50%
Vijay Vijendra Sethu	9,948,235	5.09%

5.8 Historical financial information

a. Basis of preparation

This Section 5.8 sets out a summary of historical financial information in relation to the VRL Group for the purposes of this Scheme Booklet. The financial information has been extracted from the 2020, 2019 and 2018 VRL Group Annual Reports.

The historical financial information of the VRL Group presented is in an abbreviated form and does not contain all the disclosures, presentation, statements, notes or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act, Australian Accounting Standards and other mandatory professional reporting requirements. The VRL Group considers that for the purposes of this Scheme Booklet the historical financial information presented in an abbreviated form is more meaningful to VRL Shareholders.

The VRL Group adopted the new Accounting Standard on Leases, AASB 16, from 1 July 2019. The FY20 results below include the impact of AASB 16. The comparative results have not been restated as required under specific transitional provisions in the standard.

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The full financial accounts of VRL Group, including all notes to those accounts, can be found in:

- the VRL Group Appendix 4E and the 2020 VRL Group Annual Report (released to ASX on 28 August 2020 and 29 September 2020); and
- the VRL Group Appendix 4E and the 2019 VRL Group Annual Report (released to ASX on 29 August 2019 and 30 September 2019); and
- the VRL Group Appendix 4E and the 2018 VRL Group Annual Report (released to ASX on 23 August 2018 and 19 October 2018).

These documents are available on ASX's website (www.asx.com.au) and VRL Group's website (www.villageroadshow.com.au).

b. Historical consolidated statement of comprehensive income

The following table presents the historical consolidated statement of comprehensive income for the financial years ended 30 June 2018, 2019 and 2020.

Continuing operations comprise Theme Parks, Cinema Exhibition, Film Distribution and Marketing Solutions and Corporate & Other.

	2020 $'000	2019 $'000	2018 $'000
Continuing operations			
Income			
Revenue	732,420	980,543	952,762
Other income	53,759	20,739	193,774
Expenses excluding finance costs	(895,637)	(980,861)	(1,144,092)
Finance costs	(41,095)	(32,496)	(31,485)
Share of net (losses) profits of equity-accounted investments	(2,641)	1,275	904
Loss from continuing operations before income tax benefit	(153,194)	(10,800)	(28,137)
Income tax benefit	30,626	1,220	24,726
Loss after tax from continuing operations	(122,568)	(9,580)	(3,411)
Discontinued operations			
Profit after tax	-	-	-
Net loss for the year	**(122,568)**	**(9,580)**	**(3,411)**
Loss for the year is attributable to:			
Non-controlling interest	(5,213)	(3,005)	(3,630)
Owners of the parent	(117,355)	(6,575)	219
	(122,568)	**(9,580)**	**(3,411)**
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Equity instruments at fair value through other comprehensive income	(462)	(434)	364
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	(330)	750	2,244
Foreign currency translation	(1,402)	450	(5,517)
Other comprehensive (expense) income for the year after tax	**(2,194)**	**766**	**(2,909)**
Total comprehensive expense for the year	**(124,762)**	**(8,814)**	**(6,320)**
Total comprehensive expense for the year is attributable to:			
Non-controlling interest	(5,213)	(3,005)	(3,630)
Owners of the parent	(119,549)	(5,809)	(2,690)
	(124,762)	**(8,814)**	**(6,320)**

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c. Historical consolidated statement of financial position

The following table presents the historical consolidated statement of financial position as at 30 June 2018, 2019 and 2020.

	2020 $'000	2019 $'000	2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	63,795	61,653	63,393
Trade and other receivables	90,216	129,337	119,300
Inventories	17,461	23,137	23,578
Assets held for sale	-	-	40,610
Current tax assets	6,061	1,694	2,373
Film distribution royalties	32,874	37,439	47,704
Derivatives	244	542	1,153
Other	6,344	18,967	10,183
Total current assets	**216,995**	**272,769**	**308,294**
Non-Current Assets			
Trade and other receivables	8,998	17,588	23,925
Goodwill and other intangible assets	179,688	239,957	253,675
Investments - equity-accounted	28,865	32,463	31,742
Equity instruments	22	1,219	1,737
Property, plant & equipment	520,253	656,217	639,943
Right-of-use assets	393,625	-	-
Deferred tax assets	63,955	7,961	11,417
Film distribution royalties	29,793	53,897	63,517
Derivatives	-	1	63
Other	219	173	294
Total non-current assets	**1,225,418**	**1,009,476**	**1,026,313**
Total assets	**1,442,413**	**1,282,245**	**1,334,607**
LIABILITIES			
Current Liabilities			
Trade and other payables	161,141	228,400	202,777
Liabilities held for sale	-	-	1,829
Lease liabilities	48,959	-	-
Interest bearing loans and borrowings	10,155	6,026	6,866
Income tax payable	271	405	6,880
Provisions	24,748	31,381	34,749
Derivatives	303	129	16
Unearned revenue and other liabilities	68,114	63,762	50,128
Total current liabilities	**313,691**	**330,103**	**303,245**
Non-Current Liabilities			
Trade and other payables	21,126	50,833	42,736
Interest bearing loans and borrowings	331,976	275,229	395,024
Lease liabilities	446,942	106,125	102,962
Deferred tax liabilities	30	3	4,751
Provisions	7,433	8,653	10,592
Unearned revenue and other liabilities	73,378	76,790	81,486
Total non-current liabilities	**880,885**	**517,633**	**637,551**
Total liabilities	**1,194,576**	**847,736**	**940,796**
Net assets	**247,837**	**434,509**	**393,811**
EQUITY			
Equity attributable to equity holders of the parent:			
Contributed equity	277,173	275,171	225,548
Reserves	89,614	88,730	86,774
Retained (losses) earnings	(121,807)	62,740	70,509
Parent interests	244,980	426,641	382,831
Non-controlling interest	2,857	7,868	10,980
Total equity	**247,837**	**434,509**	**393,811**

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d. Historical consolidated statement of cash flows

The following table presents the historical consolidated statement of cash flows for the financial years ended 30 June 2018, 2019 and 2020.

	2020 $'000	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	866,348	1,067,271	1,068,498
Payments to suppliers and employees	(800,878)	(958,739)	(1,031,131)
Government grants and assistance received	25,575	-	-
Dividends and distributions received	264	2,645	1,019
Interest and other items of similar nature received	1,069	1,371	1,346
Finance costs	(35,686)	(23,756)	(28,162)
Income taxes (paid) refunded	(4,767)	(6,357)	9,796
Net cash flows from operating activities	**51,925**	**82,435**	**21,366**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant & equipment	(60,625)	(38,816)	(69,970)
Purchases of software & other intangibles	(1,235)	(9,071)	(14,926)
Purchase of leased asset	-	(31,102)	-
Proceeds from sale of property, plant & equipment	224	192	733
Proceeds from sale and leaseback of property	-	12,296	99,991
Purchase of investments / businesses	-	-	(2,053)
Proceeds from sale of investments / businesses	23,382	39,911	163,813
Payment of financial guarantee	(8,026)	-	-
Loans to (or repaid to) other entities	(21,460)	-	(10,224)
Loans from (or repaid by) other entities	2,513	17,489	1,704
Net cash flows (used in) from investing activities	**(65,227)**	**(9,101)**	**169,068**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	104,000	8,000	39,000
Repayment of borrowings	(44,898)	(132,800)	(266,875)
Dividends paid	(9,731)	-	-
Lease payments	(33,875)	-	-
Proceeds from issue of shares	-	49,211	-
Net cash flows from (used in) financing activities	**15,496**	**(75,589)**	**(227,875)**
Net increase (decrease) in cash and cash equivalents	2,194	(2,255)	(37,441)
Cash and cash equivalents at beginning of year	61,653	63,393	100,400
Effects of exchange rate changes on cash	(52)	515	434
Cash and cash equivalents at end of the year	**63,795**	**61,653**	**63,393**
Total cash classified as:			
Continuing operations	63,795	61,653	63,393
Total cash and cash equivalents at end of the year	**63,795**	**61,653**	**63,393**

5.9 Material changes in the financial position of VRL Group

Other than:

- the accumulation of revenue in the ordinary course of trading; and
- as disclosed in this Scheme Booklet or as otherwise disclosed to ASX by the VRL Group,

within the knowledge of the VRL Board, the financial position of the VRL Group has not materially changed since 30 June 2020, being the date of the VRL Group audited financial statements for the financial year ended 30 June 2020 (released to ASX on 29 September 2020).

VRL Group is still operating on a negative cash flow basis as advised in the VRL Group's 2020 Annual Report (released to ASX on 29 September 2020).

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As advised to ASX on 6 August 2020, the VRL Group has secured additional funding of $70 million from its existing lenders and the Queensland Treasury Corporation. The VRL Group has begun to draw down on this facility to fund the VRL Group's operating and capital expenditure requirements. The VRL Group expects this additional debt facility will be sufficient for the VRL Group to fund its cash needs for the twelve months to August 2021.

As part of securing the new facilities, the VRL Group has given an undertaking to raise a minimum of $35 million through new shareholder equity or equity like instruments. This must be completed by the earlier of VRL Group's half year announcement (in February 2021) or three months after the termination of the Proposed Transaction with BidCo.

5.10 Recent VRL Group Share performance

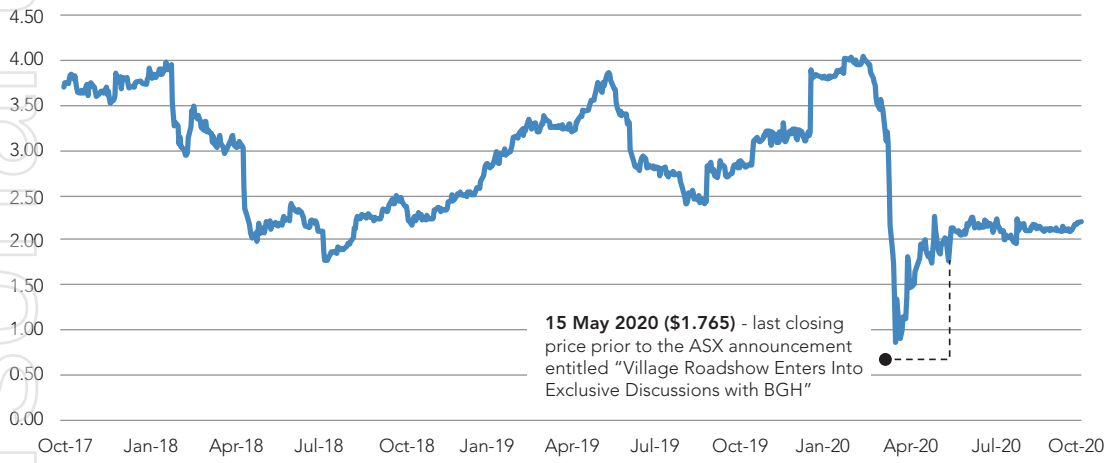
The VRL Group's Shares are listed on ASX under the trading symbol 'VRL'.

The closing price of the VRL Group's Shares on ASX on 15 May 2020 (being the last day before the Company released the ASX announcement entitled "Village Roadshow Enters Into Exclusive Discussions with BGH") was $1.765. The closing price for VRL Group Shares on ASX on 5 October 2020 (being the Last Practicable Date) was $2.20.

During the three months up to the Last Practicable Date:

- The highest recorded daily closing price for VRL Group's Shares was $2.23 on 6 July 2020; and
- The lowest recorded daily closing price for VRL Group's Shares was $1.96 on 27 July 2020.

The chart below shows VRL Group's share price performance over the last three years:



Source: IRESS (as at the Last Practicable Date).

5.11 Outlook

In light of the challenging macroeconomic conditions and resultant uncertainty caused by COVID-19, there is insufficient knowledge and insight to predict with certainty the impact of COVID-19 on the VRL Group's EBITDA or profit.

As advised in the VRL Group's FY20 results released to the ASX on 28 August 2020, the VRL Group anticipates lower than usual trading along with reversal of deferred rent/other expenses (from FY20) will result in an overall neutral to slightly positive free cash flow (before capital expenditure), this includes support from Commonwealth Government's JobKeeper scheme in the first half of FY21. This outlook is based on the prevailing environment and expectations around trading conditions. As also advised in the ASX release of VRL Group's FY20 results, the outlook is subject to change, particularly when considering unknown factors such as further COVID-19 lock down periods, cross border closures, social distancing restrictions and the status of a vaccine.

Group capital expenditure is anticipated to be in the region of $70 - $75 million. The majority of the capital expenditure is related to the Theme Parks division, primarily on strategic capex programs such as the New Atlantis Precinct at Sea World, refurbishment of Sea World Resort, decommissioning of two rides and VRL's maintenance / safety program.

5.12 Risks

In considering Each Alternative Scheme, VRL Shareholders should be aware of a number of risks which could materially and adversely affect the future operating and financial performance, and value, of the VRL Group.

This Section 5.12 outlines some general investment risks relating to an investment in the VRL Group as well as some specific risks relating to an investment in VRL Group. These risks are set out in greater detail in Section 9. These risks currently apply to your investment in the VRL Group and will continue to apply if Either Alternative Scheme does not proceed. If you receive either the Structure A Cash Consideration or Structure B Cash Consideration for all of your VRL Shares, you will cease to be a VRL Shareholder and will no longer be exposed to these risks set out below. If neither the Structure A Scheme nor the Structure B Scheme proceeds, you will continue to hold your VRL Shares and continue to be exposed to risks associated with that investment (as set out below).

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You should carefully consider the risks outlined in this Section 5.12 (and as more fully set out in Section 9), as well as the other information contained in this Scheme Booklet, before making any Election and before voting on Either Alternative Scheme. Sections 5.12 and 9 are general in nature only and do not take into account your individual objectives, financial situation, tax position or particular needs.

General risks associated with your investment in the VRL Group

The market price of the VRL Group may be influenced by a number of factors, including:

a. changes in investor sentiment and overall performance of the Australian securities market;

b. changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, employment, credit markets, consumer confidence and demand, housing prices and turnover and other industry specific factors;

c. changes in government fiscal, monetary, taxation, employment and regulatory policies;

d. changes in laws and regulations including accounting and financial reporting standards;

e. government intervention in export and import markets, including sanction controls and import duties; and

f. weather conditions, natural disasters, pandemics generally, terrorism and international conflicts.

Specific risks associated with your investment in the VRL Group

a. COVID-19 and other pandemic risks;

b. changes in industry and consumer choice, including economic conditions, content produced, decline in physical home entertainment market, competition, structural changes within the film industry, film acquisition and product availability, film production volatility and relationships with business partners;

c. financial risk management, including foreign exchange risk, interest rate risk, credit risk, liquidity risk and debt refinance risk;

d. risks with theme park operations, including tourism, adverse weather, serious injury and/or fatalities and acceptance of pricing strategies;

e. litigation and legal dispute risks;

f. taxation risks;

g. changes in government policy, regulation and accounting/tax standards risk;

h. additional requirement for capital risk;

i. key personnel risk;

j. lack of dividends risk; and

k. development and subsequent operation risk.

5.13 Public information available for inspection

VRL Group is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, the VRL Group is subject to Listing Rules which require (subject to some exceptions) continuous disclosure of any information that VRL Group has that a reasonable person would expect to have a material effect on the price or value of VRL Shares.

ASX maintains files containing publicly disclosed information about all entities listed on ASX. Information disclosed to ASX by the VRL Group is available on ASX's website at www.asx.com.au.

In addition, the VRL Group is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by the VRL Group may be obtained from an ASIC office.

VRL Shareholders may obtain a copy of the VRL Group's 2020 Annual Report (including its audited financial statements for the financial year ended 30 June 2020) from ASX's website (www.asx.com.au) or from the VRL Group's website (www.villageroadshow.com.au).

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6 PROFILE OF BIDCO GROUP

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6. PROFILE OF BIDCO GROUP

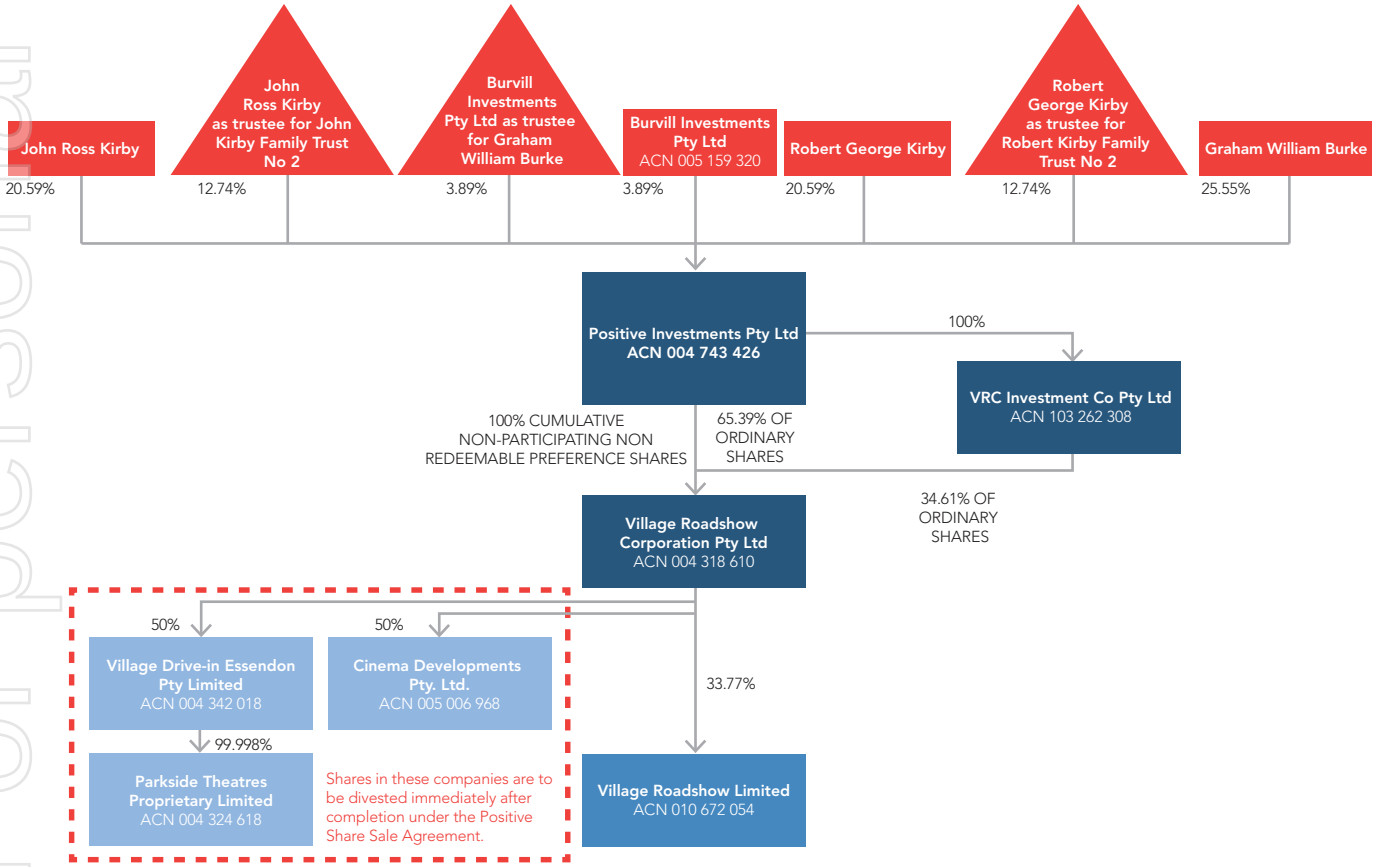
6.1 Introduction

This Section 6 forms part of the BidCo Information and has been prepared by BidCo, except for the VRC Information. BidCo is solely responsible for the BidCo Information (except to the extent that VRL has provided BidCo with information for the purpose of BidCo preparing the BidCo Information). To the maximum extent permitted by law, none of VRL nor any of its subsidiaries, directors, officers or advisers assume any responsibility for the accuracy or completeness of the BidCo Information.

The VRC Information contained in this Section 6 has been prepared by VRC. VRC is solely responsible for the VRC Information (except to the extent that VRL has provided VRC with information for the purpose of VRC preparing the VRC Information). To the maximum extent permitted by law, none of VRL, HoldCo, BidCo nor any of their subsidiaries, directors, officers or advisers assume any responsibility for the accuracy or completeness of the VRC Information.

6.2 Overview of the VRC Group

VRL's major shareholder, VRC, is a proprietary company incorporated in Victoria on 4 May 1954. VRC is owned by Positive and Positive's wholly owned subsidiary, VRC Investment Co Pty Ltd, both of which are proprietary companies incorporated in Victoria. The shares in Positive are owned by John Kirby, Robert Kirby and Graham Burke and entities associated with these individuals. As at the date of the Scheme Booklet, the directors of Positive are John Kirby, Graham Burke and Robert Kirby and Sean Morcom serves as company secretary of Positive. As at the date of this Scheme Booklet, the VRC Group's principal activity is to hold VRL Shares and carry-out certain limited activities relating to family office services. Set out below is a structure diagram setting out the VRC Group and the shareholders in Positive.



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Pursuant to the Positive Share Sale Agreement, if the Structure A Scheme becomes Effective and the other conditions precedent under the Positive Share Sale Agreement are satisfied, on the Implementation Date BidCo must acquire all of the shares on issue in Positive.

As part of the conditions precedent in the Positive Share Sale Agreement (unless these conditions are waived by BidCo):

- all shares held by VRC in Village Drive-in Essendon Pty Limited and Cinema Developments Pty Ltd must be transferred to a third party (as indicated in the VRC Group structure diagram set out above), such that these companies will no longer form part of the VRC Group; and
- all employees of the VRC Group must be transferred to a third party, and any liabilities associated with these employees are to be assumed by the new employing entity.

Furthermore, pursuant to the Positive Share Sale Agreement, the shareholders in Positive have given certain warranties and indemnities in favour of BidCo regarding the VRC Group's activities, including in respect of any loss or liabilities suffered by a member of the VRC Group in connection with any activity undertaken prior to completion under the Positive Share Sale Agreement. These warranties and indemnities are subject to customary limitations and qualifications. Further information regarding the Positive Share Sale Agreement is set out in Section 7.2(a)(iv).

6.3 Overview of BGH

BGH was established in 2017 as an independent private investment firm, owned and managed by its founding partners – Robin Bishop, Ben Gray and Simon Harle. In May 2018, BGH had a final close on the BGH Fund of approximately A$2.6 billion, making it the largest domestic private equity fund in Australia and New Zealand. The objective of the BGH Fund is to provide investors with returns through a diversified portfolio of growth investments in companies in Australia and New Zealand.

6.4 Profile of the BidCo Group

a. BidCo

BidCo is a special purpose company that was incorporated on 22 July 2020 for the purposes of:

i. if the Structure A Scheme becomes Effective, indirectly acquiring all of the VRL Shares, by BidCo acquiring all of the shares in Positive (VRC's holding company), VRC acquiring certain VRL Shares under the VRC Principals Share Sale Agreements and VRC acquiring VRL Shares pursuant to the Structure A Scheme; or

ii. if the Structure B Scheme becomes Effective, directly acquiring VRL Shares pursuant to the Structure B Scheme.

BidCo is an unlisted Australian proprietary company that has not conducted business and does not own any assets or have any liabilities other than in connection with its incorporation, the entry into transaction documents in connection with the Structure A Scheme and Structure B Scheme and the taking of such other actions as are necessary to facilitate the implementation of the Structure A Scheme or Structure B Scheme (including actions in relation to the incurrence of costs, fees and expenses in connection with the Structure A Scheme and Structure B Scheme). The ultimate holding company of BidCo is HoldCo.

b. HoldCo

HoldCo is a special purpose company that was incorporated on 22 July 2020 for the purpose of indirectly holding all the shares in BidCo and issuing Structure A Scheme Consideration to those eligible Structure A Scheme Shareholders that make a valid Election to receive part or all of their Structure A Scheme Consideration in the form of HoldCo Shares in accordance with the Structure A Scheme. If the Structure B Scheme proceeds to be implemented, and the Restructure Event occurs, HoldCo will issue HoldCo Shares to the Retaining Shareholders in accordance with the terms of the Restructure Event.

HoldCo is an unlisted Australian public company that has not commenced trading or conducted business and, except as described below, does not own or hold any assets or have any liabilities other than in connection with its incorporation, the entry into transaction documents in connection with the Structure A Scheme and Structure B Scheme and the taking of such other actions as are necessary to facilitate the implementation of the Structure A Scheme or Structure B Scheme. The affairs of HoldCo are regulated under the constitution of HoldCo and, where the Structure A Scheme becomes Effective, the Structure A Shareholders' Deed.

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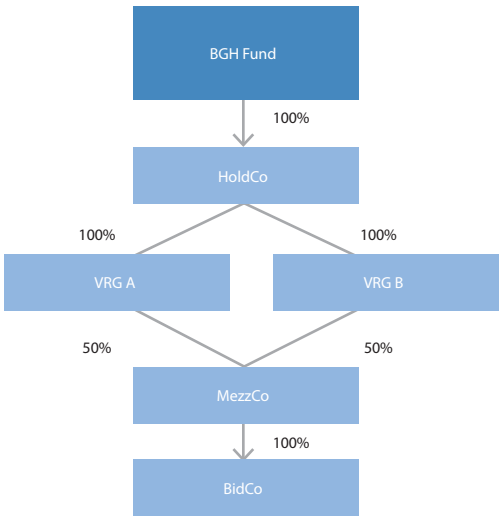
c. Ownership structure

i. Before implementation of Structure A Scheme and Structure B Scheme

As at the date of this Scheme Booklet, HoldCo is owned by the BGH Fund entities. Each of VRG A Pty Limited ACN 642 859 023 (**VRG A**) and VRG B Pty Limited ACN 642 859 434 (**VRG B**) is a wholly owned subsidiary of HoldCo. VRG A and VRG B each own 50% of the shares on issue in VRG Mezzco Pty Ltd ACN 642 861 014 (**MezzCo**). BidCo is a wholly owned subsidiary of MezzCo. Each of VRG A, VRG B and MezzCo are unlisted proprietary companies that are incorporated in Victoria.

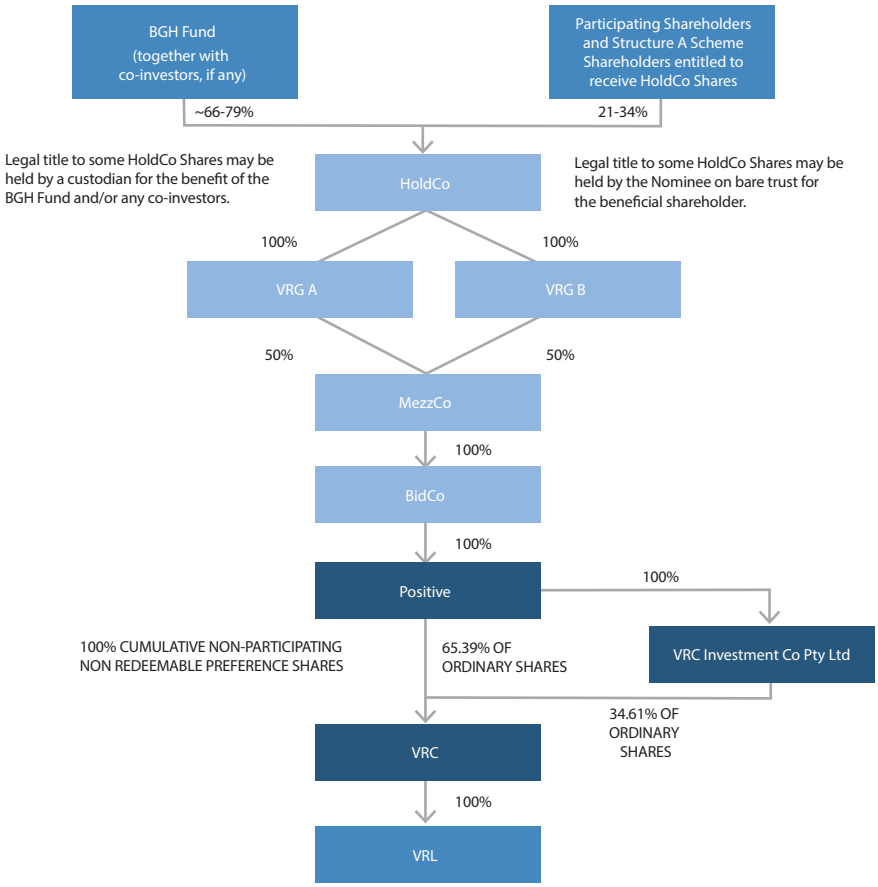


ii. If Structure A Scheme is implemented

If the Structure A Scheme becomes Effective, on the Structure A Implementation Date and subject to completion under the Positive Sale Agreement and VRC Principals Share Sale Agreements occurring:

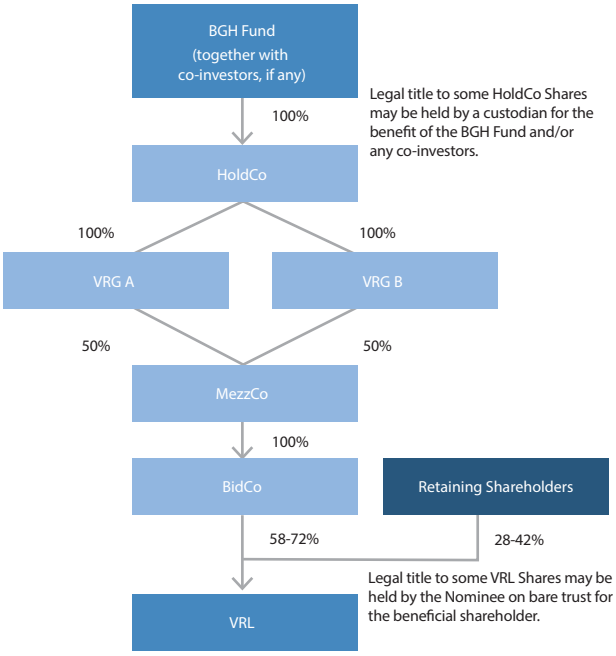
- the BGH Fund entities and any co-investor that the BGH Fund nominates (if any);
- the Participating Shareholders; and
- Structure A Scheme Shareholders who validly make an Election (provided that the Structure A Share Floor is met),

will collectively own HoldCo. HoldCo will indirectly wholly own VRL through various wholly owned subsidiaries, including BidCo and VRC, as illustrated below.



iii. If Structure B Scheme is implemented

If the Structure A Scheme does not become Effective and the Structure B Scheme becomes Effective instead, on the Structure B Implementation Date, the BGH Funds and any co-investor that the BGH Fund nominates (if any) will own HoldCo and BidCo will be indirectly wholly owned by HoldCo. BidCo and Retaining Shareholders who validly make an Election will collectively own VRL, as illustrated below.



6.5 Funding arrangements

This Section outlines how BidCo intends to fund the Structure A Cash Consideration and Structure B Cash Consideration, as well as certain financing arrangements that HoldCo's subsidiaries will be a party to from implementation of Either Alternative Scheme.

a. Subscription Agreement

HoldCo, BidCo, Positive, VRC and certain other parties have entered into the Subscription Agreement. Under the Subscription Agreement, subject to either the Structure A Scheme or Structure B Scheme becoming Effective, the BGH Fund entities have agreed to subscribe for (or to nominate co-investors to subscribe for) ordinary shares in HoldCo for subscription monies that will be sufficient to fund:

i. where the Structure A Scheme becomes Effective, the:

   A. cash consideration payable at completion under the Positive Share Sale Agreement and the VRC Principals Share Sale Agreements; and

   B. Structure A Cash Consideration to be paid by VRC for all Structure A Scheme Shares other than the Structure A Scheme Shares that VRC is to acquire for HoldCo Shares pursuant to the Structure A Scheme; or

ii. where the Structure B Scheme becomes Effective, the Structure B Cash Consideration to be paid by BidCo for each Transferring Share,

as well as certain transaction costs incurred by the BidCo Group, Positive and its subsidiaries and the VRL Group to be paid to third parties (though the subscription into HoldCo for payment of such transaction costs is up to a maximum of $30 million).

The Subscription Agreement provides for the subscription monies paid by the BGH Fund entities (or one or more of their nominees) to be used to subscribe for equity in, or make loans to, the relevant HoldCo subsidiary that is obliged to make the payments described in paragraphs (i) and (ii) above. In the case of the Structure A Scheme, these subscriptions or loans include BidCo subscribing for shares in or making loans to Positive, and Positive in turn subscribing for shares in or making loans to its subsidiaries to provide VRC with sufficient funding to pay the aggregate Structure A Cash Consideration that is payable pursuant to the Structure A Scheme. The Subscription Agreement also requires the BGH Fund entities (or one or more of their nominees) to subscribe for an amount equal to $50 million in additional liquidity if Either Alternative Scheme becomes Effective. If the Structure B Scheme becomes Effective, this $50 million in additional liquidity is proposed to be used by BidCo to subscribe for VRL Shares on or about the Implementation Date. Of this additional liquidity, $20 million will be used to repay the Liquidity Facility.

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The Subscription Agreement provides that the BGH Fund entities (or one or more of their nominees) must subscribe for the ordinary shares in HoldCo for the equity funding described in this Section 6.5(a) prior to implementation of Either Alternative Scheme (as applicable). Each HoldCo Share issued under the Subscription Agreement to the BGH Fund entities (or one or more of their nominees) will be issued for a price per share that is equal to, where the Structure A Scheme becomes Effective, the Structure A Cash Consideration, and, where the Structure B Scheme becomes Effective, the Structure B Cash Consideration.

The total amount of subscription monies to be paid by the BGH Fund will depend on a number of factors, including whether the Structure A Scheme or Structure B Scheme becomes Effective and the total number of Structure A Scheme Shares or Structure B Scheme Shares in respect of which valid Elections are made.

The BGH Fund is in discussions with potential co-investors who may be offered the opportunity to invest in HoldCo alongside the BGH Fund and to subscribe for HoldCo Shares in place of, and as nominee for, the BGH Fund (subject to receipt of any required approval for each co-investor). These discussions had not been finalised as at the date of this Scheme Booklet.

b. BGH Second Ranking Secured Loan

VRL has entered into a legally binding commitment letter (**Commitment Letter**) under which the BGH Fund entities have agreed to provide a second ranking loan of A$50 million to VRL, to be drawn in full upon Either Alternative Scheme being implemented (**BGH Second Ranking Secured Loan**). The BGH Second Ranking Secured Loan is to provide funding for VRL to repay $50 million of the Liquidity Facility.

The BGH Second Ranking Secured Loan is subject to the satisfaction of certain conditions precedent, including:

- consent by Senior Lenders to the BGH Second Ranking Secured Loan and the change of control of VRL as a result of the implementation of Either Alternative Scheme;
- security and intercreditor arrangements that are satisfactory to the BGH Fund entities; and
- customary corporate authorisations, and confirmation that Either Alternative Scheme will be implemented at Financial Close.

It is expected that these conditions precedent will be satisfied before the Second Court Date (other than certain conditions which are intended to be satisfied concurrently with, or prior to, the Financial Close).

The key terms of the BGH Second Ranking Secured Loan include:

- (**Maturity**): a maturity of 5 years from Either Alternative Scheme being implemented.
- (**Interest**): a fixed interest rate of 12% accruing quarterly and payable in cash at the VRL's election and, if not paid in cash, will be capitalised.
- (**Security**): second ranking security, subordinated to the Senior Facilities in respect of right of payment and priority of security (subject to certain intercreditor arrangements to be agreed).
- (**Mandatory Prepayment**): if the Senior Facilities have been repaid, or if not, to the extent of certain permitted payments, mandatory prepayment obligations (subject to customary exceptions and thresholds) from, among other things, free cash flow, asset disposals, acquisition or initial public offering proceeds.
- (**Prepayment Premium**): in certain circumstances a premium is payable by VRL for any cancellation, voluntary or mandatory prepayment or acceleration before the maturity date of the outstanding balance under the BGH Second Ranking Secured Loan.

The Commitment Letter will be superseded by a binding long form agreement on the same material terms as contemplated by the Commitment Letter prior to the Second Court Hearing. The binding long form agreement for the BGH Second Ranking Secured Loan will also contain covenants, representations, undertakings, events of default and review events.

VRL has agreed that certain requirements must be met before VRL prepays the BGH Second Ranking Secured Loan, including that any debt facilities raised by VRL to prepay the BGH Second Ranking Secured Loan must:

- have an interest rate margin that is at least an agreed amount lower than the interest rate on the BGH Second Ranking Secured Loan;
- be on terms that are no more onerous to VRL than the Second Ranking Secured Loan and not provided by certain types of lenders; and
- if prepayment occurs before 17.5 months following Financial Close, be sufficient to refinance all of the outstanding existing Senior Facilities (unless they have already been refinanced in full).

c. Senior Facilities

The Senior Lenders have agreed to consent to the change of control that will occur in respect of VRL pursuant to the implementation of Either Alternative Scheme, VRL incurring the BGH Second Ranking Secured Loan and certain amendments to the Senior Facilities. The Senior Lenders agreement is subject to certain conditions precedent, including:

- execution of full form amending agreements for the Senior Facilities to reflect the agreed amendments;
- evidence that the BGH Fund entities (or their nominees) have contributed the $50 million loan under the BGH Second Ranking Secured Loan and the $50 million of equity subscribed for in HoldCo to serve as additional liquidity as described in Section 6.5(a); and
- Either Alternative Scheme has been implemented.

The Senior Facilities contain representations and warranties, undertakings and events of default which are customary for facilities of this nature.

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As at the date of this Scheme Booklet, VRL has advised that approximately $335 million was outstanding pursuant to the Senior Facilities, with an undrawn amount of approximately $5 million under the Senior Facilities. Given the current status of VRL's business activities, VRL has informed BidCo that it is possible that further amounts may be drawn under the Senior Facilities.

As announced on 6 August, VRL secured additional funding of $70 million from the Senior Lenders and the Queensland State Government, which will be repaid completely on implementation of Either Alternative Scheme using the $50 million BGH Second Ranking Secured Loan and any further balance owing using equity subscribed for in HoldCo (as described in Section 6.5(a)).

d. Issue of HoldCo Shares

HoldCo, VRC and VRL have entered into the Structure A Scheme Deed Poll pursuant to which HoldCo must issue all of the HoldCo Shares that are necessary for HoldCo to satisfy its obligations under the Structure A Scheme. This Structure A Scheme Deed Poll is attached to this Scheme Booklet as Appendix 3.

e. Conclusion

On the basis of the arrangements outlined above, BidCo believes it has a reasonable basis for holding the view, and it does hold the view, that BidCo will be able to satisfy its obligations to fund the Scheme Consideration as and when it is due and payable under the terms of Either Alternative Scheme.

6.6 Intentions if Structure A Scheme is implemented

a. Introduction

If the Structure A Scheme is implemented, each of VRL and VRC will become an indirectly wholly-owned subsidiary of BidCo. This Section sets out the intentions of BidCo with respect to VRL if the Scheme is implemented. If the Structure A Scheme is implemented, the intentions of HoldCo and VRC are the same as the intentions of BidCo.

The statements of intention made in this Section are statements of present intention only. These intentions are based on the facts and information concerning VRL (including certain non-public information made available by VRL to BidCo prior to the entry into the Implementation Agreement) and the general business environment that is known to BidCo at the time of preparation of this Scheme Booklet. BidCo does not currently have full knowledge of all material information, facts and intentions. Final decisions on these matters will only be made by BidCo after having conducted a detailed review of VRL's business after implementation of the Structure A Scheme. Accordingly, the statements set out in this Section are statements of current intention only, which may change as new information becomes available or as circumstances change.

b. General business overview

If the Structure A Scheme is implemented, it is the current intention of BidCo to continue to operate the business of VRL substantially in its current form in the near term and in accordance with the HoldCo Shareholders' Deed. BidCo intends to work with VRL's leadership team to identify opportunities to enhance the prospects and operating performance of the business.

In order to achieve these outcomes, BidCo intends to undertake a detailed review of VRL's operations covering strategic, financial and commercial operating matters. Final decisions about the future operating plan and management organisation of VRL will be made after, and informed by, the results of the review.

Subject to the findings of the post-implementation review referred to above, BidCo's current intention is to continue the current strategic direction of VRL. BidCo also intends to continue to operate the business of VRL under its current name (or substantial part of VRL's business under their respective names). BidCo also does not intend to redeploy any of VRL's fixed assets.

c. Removal from ASX

If the Structure A Scheme is implemented, it is intended that quotation of VRL Shares on ASX will be terminated and VRL will be removed from the official list of ASX on a date after the Structure A Implementation Date to be determined by BidCo. It is intended that BidCo will apply to convert VRL from a public to a proprietary company limited by shares.

d. Head office

If the Structure A Scheme is implemented, it is the intention of BidCo that VRL's head office remain located in Melbourne, Victoria.

e. Board composition

If the Structure A Scheme is implemented, the board of directors of VRL and each of its subsidiaries will be reconstituted with effect on and from the Structure A Implementation Date. VRL will become a wholly-owned subsidiary within the HoldCo Group and board members will be appointed as appropriate for such an entity.

f. Employees

BidCo considers VRL's employees to be critical to the future success of the business. Following implementation of the Structure A Scheme, BidCo will review VRL's business operations and organisational structure to ensure VRL has the appropriate mix and level of employees and skills to enhance the business going forward and to enable the business to pursue growth opportunities.

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g. Changes to VRL's constitution

BidCo intends to replace VRL's constitution with a constitution appropriate for a proprietary company limited by shares (consistent with the intention expressed in Section 6.6(c) to convert VRL into a proprietary company following implementation of the Structure A Scheme).

6.7 Intentions if Structure B Scheme is implemented

a. Introduction

If the Structure B Scheme is implemented, immediately following implementation, BidCo will own more than 50% of VRL.

This Section sets out the intentions of BidCo (as majority shareholder of VRL) with respect to VRL if the Structure B Scheme is implemented. The intentions of HoldCo are the same as the intentions of BidCo.

The statements of intention made in this Section are statements of present intention only. These intentions are based on the facts and information concerning VRL (including certain non-public information made available by VRL to BidCo prior to the entry into the Implementation Agreement) and the general business environment that is known to BidCo at the time of preparation of this Scheme Booklet. BidCo does not currently have full knowledge of all material information, facts and intentions. Final decisions on these matters will only be made by BidCo after having conducted a detailed review of VRL's business after implementation of the Structure B Scheme. Accordingly, the statements set out in this Section are statements of current intention only, which may change as new information becomes available or as circumstances change.

b. General business overview

If the Structure B Scheme is implemented, it is the current intention of BidCo to continue to operate the business of VRL substantially in its current form in the near term and in accordance with the VRL Shareholders' Deed. BidCo intends to work with VRL's leadership team to identify opportunities to enhance the prospects and operating performance of the business.

In order to achieve these outcomes, BidCo intends to undertake a detailed review of VRL's operations covering strategic, financial and commercial operating matters. Final decisions about the future operating plan and management organisation of VRL will be made after, and informed by, the results of the review.

Subject to the findings of the post-implementation review referred to above, BidCo's current intention is to continue the current strategic direction of VRL. BidCo also intends to continue to operate the business of VRL under its current name

c. Delisting from ASX

If the Structure B Scheme is implemented, BidCo intends that quotation of VRL Shares on ASX will be terminated and VRL will be removed from the official list of ASX on a date after the Structure B Implementation Date to be determined by BidCo. Under the terms of the Structure B Scheme, Retaining Shareholders will be deemed to have agreed to VRL taking the above steps. VRL has been advised by ASX that subject to formal confirmation by the ASX's National Listing Committee, on an in-principle basis, ASX is likely to allow the removal of VRL from the official list of ASX without requiring further shareholder approval, subject to the Structure B Scheme being implemented. If VRL is removed from the official list of ASX, Retaining Shareholders will no longer be able to trade their VRL Shares on ASX.

d. Head office

If the Structure B Scheme is implemented, BidCo intends that VRL's head office remain located in Melbourne, Victoria.

e. Board composition

If the Structure B Scheme is implemented, the directors of VRL will comprise of nominees determined from time to time, in accordance with the Structure B Shareholders Agreement. It is intended that, on implementation of the Structure B Scheme, the directors of VRL immediately prior to implementation of the Structure B Scheme will resign, except for Robert Kirby and Graham Burke, and Clark Kirby and nominees of BidCo, currently intended to be Ben Gray, Stephanie Charles and Matthew Claughton, will be appointed as directors of VRL.

f. Employees

BidCo considers VRL's employees to be critical to the future success of the business. Following implementation of the Structure B Scheme, BidCo will review VRL's business operations and organisational structure to ensure VRL has the appropriate mix and level of employees and skills to enhance the business going forward and to enable the business to pursue growth opportunities.

g. Changes to VRL's constitution

Following implementation of the Structure B Scheme, BidCo intends to propose to VRL Shareholders to replace VRL's constitution with a constitution appropriate for an unlisted public company. The VRL Shareholders' Deed will override the VRL constitution in the case of any inconsistency in the terms of the two documents. Further details regarding terms of the Shareholders' Deed that will apply in respect of VRL Shares following implementation of the Structure B Scheme are contained in Section 8.4.

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h. Restructure Event

As described in Section 1.3, in circumstances where the process for the Restructure Event has not been commenced by the requisite majority of Participating Shareholders, BidCo will have the ability to commence the Restructure Event for a period of time. BidCo has not yet determined whether it will exercise this right, and intends to make that assessment having regard to the circumstances that exist if and when BidCo's right has been enlivened.

6.8 Current and post-implementation director profiles

The current directors of HoldCo are Mr Ben Gray, Ms Stephanie Charles and Mr Matthew Claughton, all three of which are nominees of the BGH Fund. These three individuals will remain directors of HoldCo immediately following implementation of Either Alternative Scheme. If the Structure B Scheme becomes Effective, BidCo intends to nominate these three individuals to become directors of VRL. These three individuals are intended to be the initial BGH Directors in respect of HoldCo if the Structure A Scheme becomes Effective and VRL if the Structure B Scheme becomes Effective.

If the Structure A Scheme becomes Effective, Mr Robert Kirby, Mr Graham Burke and Mr Clark Kirby will also be appointed to as directors of HoldCo. If the Structure B Scheme becomes Effective, Mr Robert Kirby and Mr Graham Burke will remain as directors of VRL, and Mr Clark Kirby will be appointed as director of VRL. These three individuals will be the initial Participating Directors in respect of HoldCo, if the Structure A Scheme becomes Effective, and VRL, if the Structure B Scheme becomes Effective.

Mr Robert Kirby will be the initial Executive Chairperson, Mr Graham Burke will be the initial Co-Chairperson and Mr Clark Kirby will be the initial CEO and Managing Director of HoldCo, if the Structure A Scheme becomes Effective, or VRL, if the Structure B Scheme becomes Effective.

If Structure B becomes Effective, all directors of VRL, other than as described in this Section, will resign from the VRL Board.

Brief profiles of the initial BGH Directors and Participating Directors are set out below.

a. Ben Gray

Mr Gray is a Founding Partner of BGH. Previously, he was a Managing Partner at TPG Capital, where he served as the Joint Head of Asia, as the Head of Australia and New Zealand and as a member of the Global Management Committee. Mr Gray spent almost 13 years at TPG Capital, and together with Simon Harle (also a Founding Partner of BGH), jointly or individually led investments in Myer, Asciano, Petbarn, Healthscope, Inghams and Cushman & Wakefield, including DTZ and Cassidy Turley. Mr Gray was also heavily involved in managing the investment in Alinta by funds advised by TPG Capital. Prior to joining TPG Capital in 2004, Mr Gray was a Director at Credit Suisse, where he worked in the investment banking division in New York and Australia. He received a Bachelor of Commerce with First Class Honours from the University of Melbourne and a Master of Business Administration with High Distinction (Baker Scholar) from Harvard Business School. Mr Gray is a director of Navitas and is also a Director of the Australian American Leadership Dialogue.

b. Stephanie Charles

Ms Charles is the Head of Capital Markets and a Deal Partner at BGH. Previously, Ms Charles was a Managing Director in the investment banking division at Credit Suisse, based in Melbourne. Ms Charles spent nearly fourteen years at Credit Suisse and was Head of Retail, Consumer, Healthcare and Chemicals for Australia. During her time at Credit Suisse, Ms Charles advised on over A$10 billion of capital markets assignments and over A$10 billion in M&A transactions across many sectors. Prior to joining Credit Suisse in 2003, Ms Charles worked for four years in the investment banking division of Citigroup, in Australia and New York. Prior to that, she spent almost three years as a Lawyer at Allens Linklaters. Stephanie received a Bachelor of Commerce (Honours) and a Bachelor of Law from the University of Melbourne (Honours). She currently serves on the Australian Takeovers Panel and is a director of Navitas.

c. Matthew Claughton

Mr Claughton is a Partner at BGH and Head of Group Operations. Previously, Mr Claughton was based in Sydney as Managing Director and Head of KKR Capstone Asia and was a member of KKR's Asia Private Equity Portfolio Management Committee and KKR Capstone's Global Operating Committee. As the leader of KKR Capstone Asia, Mr Claughton was responsible for partnering with portfolio company executives to drive value across KKR's Asian Investments that comprised over 40 individual companies with more than A$10 billion of KKR invested capital. During the 5 years Mr Claughton spent at KKR Capstone, he directly led KKR's value creation efforts in Australia and New Zealand and worked with numerous KKR Portfolio companies including Latitude Financials Services, Genesis Care, Sundrop Farms, Australian Venue Company, MYOB and Laser Clinics Australia.

Before joining KKR Capstone, Mr Claughton worked for five years at Pacific Brands and was Group General Manager for the Workwear Division. Prior to that, Mr Claughton spent five years at Foster's Group Limited in a variety of strategy and business development roles, ultimately leading the strategy and business development teams. Mr Claughton began his career as a consultant with McKinsey & Company. Mr Claughton holds a Bachelor of Commerce (Honours) and a Bachelor of Arts from The University of Melbourne and is a Graduate of the Australian Institute of Company Directors.

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d. Robert Kirby

Mr Kirby is presently the Executive Chairman of VRL. Mr Kirby first joined the VRL board on 12 August 1988 and was reappointed on 5 July 2001. Mr Kirby holds a Bachelor of Commerce with over 40 years' experience in the entertainment and media industry. Mr Kirby held the following roles in VRL:

- the Chairman of VRL from 1994 to 1998, 2002 to 2006, and from June 2010 to November 2013.
- Co-Executive Chairman and Co-Chief Executive Officer November 2013 to August 2018 when he became Executive Chairman.
- Deputy Chairman from 1990 to 1994, 1998 to 1999, 2001 to 2002 and 2006 to June 2010.
- Member of the Executive Committee from 1988 to 1999 and 2001 to 2020.

Through the launch of Roadshow Home Video, Mr. Kirby was the driving force behind the Australian video revolution of the 1980s and 1990s. He is a pioneer of new cinema concepts in both Australia and internationally and has been at the forefront of VRL's successful diversification into theme parks, radio and international film production. Mr Kirby is also a director of Village Roadshow Corporation Pty. Ltd., a former Board member and Deputy Chair of the Peter MacCallum Cancer Foundation for 15 years, Member of the Patrons Council of Epilepsy Foundation and Patron of Arts Centre Melbourne.

e. Graham Burke

Mr Burke is presently a Non-Executive Director of VRL. Mr Burke has been a member of the VRL Board since 9 September 1988. Mr Burke held the following roles in VRL:

- Chief Executive Officer from 1988 to November 2013 and August 2018 to December 2019.
- Co-Executive Chairman and Co-Chief Executive Officer from November 2013 to August 2018.
- Chairman of the Executive Committee from 1988 to 2019.

With unrivalled experience in the entertainment and film industries, Mr. Burke has been one of the strategic and creative forces behind VRL's development and founded Roadshow Distributors with the late Mr. Roc Kirby. Mr. Burke has been integral to strategically developing Warner Bros. Movie World and VRL's involvement with Sea World as well as ongoing Australian and international film production. Mr Burke is also the Chairman of Creative Content Australia (formerly IP Awareness Foundation) from March 2016 and a Director of Village Roadshow Corporation Pty. Ltd.

f. Clark Kirby

Mr Kirby was appointed as the Chief Executive Officer of VRL from 1 January 2020. Mr Clark Kirby has held various senior executive roles over more than a decade across VRL, including Director of Corporate Strategy, Chief Operating Officer, Chairman of Village Cinemas Australia, and most recently Executive Chairman and Chief Executive Officer of Village Roadshow Theme Parks. Previously, Mr Kirby worked in the Investment Banking division at UBS for four years. He holds a Master of Applied Finance and Investment from Macquarie University and a Bachelor of Information Technology from Bond University.

6.9 Additional information of the BidCo Group and the VRC Group

a. Interests in VRL Shares

As at date of this Scheme Booklet:

i. Positive and VRC each have:
   - voting power in VRL of 39.91%;
   - a relevant interest in VRL Shares of 33.77%; and

ii. HoldCo and BidCo each have:
   - voting power in VRL of 39.91%; and
   - a relevant interest in VRL Shares of 39.91%.

b. Dealings in VRL Shares in the previous four months

During the four months before the date of this Scheme Booklet, other than pursuant to the Implementation Agreement, Structure A Ancillary Agreements, Structure A Scheme, Structure B Scheme, Structure A Scheme Deed Poll or Structure B Scheme Deed Poll, neither:

i. the BidCo Group nor any of their associates (other than the Positive Parties) has agreed to provide consideration for any VRL Shares under any transaction or agreement; and

ii. Positive nor any of its associates (other than the Positive Parties) has agreed to provide consideration for any VRL Shares under any transaction or agreement, other than on 18 June 2020, RGK Superannuation Pty Ltd transferred 30,000 VRL Shares for $2.16 per VRL Share to RGK Retirement Nominees Pty Ltd (both the disposing party and acquirer being entities controlled by Robert Kirby).

c. Sale of HoldCo Shares in the previous three months

As at the date of this Scheme Booklet there have been no sales of any HoldCo Shares in the three months prior to the date of this Scheme Booklet.

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d. Inducing benefits given during previous four months

During the four months before the date of this Scheme Booklet, except as set out in this Scheme Booklet, none of:

i. BidCo nor any of its associates (other than the Positive Parties): and

ii. Positive nor any of its associates (other than the BidCo Parties),

have given, or offered to give or agreed to give, a benefit to another person which was likely to induce the other person, or an associate, to:

- vote in favour of the Structure A Scheme;
- vote in favour of the Structure B Scheme; or
- dispose of VRL Shares,

and which benefit was not offered to all VRL Shareholders.

e. Benefits to VRL Directors

None of:

i. BidCo or its associates (other than the Positive Parties); and

ii. Positive or its associates (other than the BidCo Parties),

will be making any payment or giving any benefit to any current VRL Directors as compensation for, other otherwise in connection with, their resignation from their respective offices if the Structure A Scheme or Structure B Scheme is implemented, unless otherwise disclosed in this Scheme Booklet.

f. No interests of BidCo Group or VRC Group directors in VRL Shares

i. As at the date of this Scheme Booklet, none of the directors of the entities in the BidCo Group have a relevant interest in any VRL Shares.

ii. The following directors or alternative directors of the entities in the VRC Group have the following relevant interests in VRL Shares:

- John Kirby: 35.51%
- Graham Burke: 36.40%
- Robert Kirby: 35.55%.

g. No other agreements or arrangements

None of:

i. BidCo nor its associates (other than the Positive Parties); and

ii. Positive nor it associates (other than the BidCo Parties),

has made any agreement or arrangement with a VRL Director in connection with or conditional on the outcome of the Structure A Scheme or the Structure B Scheme.

h. Disclosure of interests and fees of certain people

Other than as set out in this Scheme Booklet or pursuant to existing employment agreements, consulting arrangements, directorships, no:

- director or proposed director of HoldCo; or
- person named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet,

holds, or held at any time during the last two years, any interests in:

- the formation or promotion of HoldCo;
- property acquired or proposed to be acquired by BidCo in connection with its formation or promotion or the offer of HoldCo Shares under the Structure A Scheme; or
- the offer of HoldCo Shares under the Structure A Scheme.

i. Fees and benefits

Other than as set out in this Scheme Booklet or pursuant to existing employment agreements, consulting arrangements or directorships, no one has paid or agreed to pay any amount, or given or agreed to give any benefit to a director, or proposed director, of HoldCo, or an individual that is to serve as a directors of VRL immediately following the implementation of the Structure B Scheme:

- to induce them to become, or qualify as, a director of HoldCo or VRL (as applicable); or
- for services provided in connection with the formation or promotion of HoldCo or the offer of HoldCo Shares under the Structure A Scheme.

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7 THE STRUCTURE A SCHEME IN FURTHER DETAIL

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7. THE STRUCTURE A SCHEME IN FURTHER DETAIL

7.1 Introduction

This Section 7 forms part of the BidCo Information and has been prepared by BidCo. BidCo is solely responsible for the BidCo information (except to the extent that VRL has provided BidCo with information for the purpose of BidCo preparing the BidCo information). None of VRL, VRC nor any of their subsidiaries, directors, officers or advisers assume any responsibility for the accuracy or completeness of the BidCo Information.

7.2 Elements of the Structure A Scheme

a. Structure A Ancillary Agreements

i. Overview

If the Structure A Scheme becomes Effective, on the Structure A Implementation Date:

- BidCo will acquire all of the shares in Positive pursuant to the Positive Sale Agreement;
- VRC will acquire all of the VRL Shares held or beneficially owned by the Direct Sellers pursuant to the VRC Principals Share Sale Agreements; and
- VRC will acquire all remaining VRL Shares not held by VRC and not acquired pursuant to the VRC Principals Share Sale Agreements in accordance with the Structure A Scheme.

As a result of these transactions, Positive and VRC will be indirectly wholly owned subsidiaries of HoldCo and VRL will be wholly owned by VRC.

ii. Joint Bidding Agreement

BGH, HoldCo, BidCo, Positive, VRC and each of Robert Kirby, John Kirby and Graham Burke have entered into the Joint Bidding Agreement, a copy of which was included in the announcement made on the ASX on 6 August 2020. The Joint Bidding Agreement sets out, among other matters, the framework and terms on which the parties to the Joint Bidding Agreement would pursue the Structure A Scheme. The Joint Bidding Agreement contains provisions pursuant to which Positive, VRC, Robert Kirby, John Kirby and Graham Burke agree not to solicit or participate in any discussions regarding, or vote in favour of, any Competing Proposal.

As a result of the Joint Bidding Agreement, BGH, HoldCo and BidCo obtained a relevant interest in 39.91% of VRL Shares on issue. Prior to entry into the Joint Bidding Agreement, ASIC issued an instrument (ASIC Instrument 20-0742) exempting, on certain terms and conditions, BGH, HoldCo and BidCo (among others), from section 606 of the Corporations Act in relation to entry into the Joint Bidding Agreement and certain other transactions contemplated if and when the Structure A Scheme becomes Effective.

iii. Subscription Agreement

The BGH Fund entities, HoldCo, VRG A, VRG B, MezzCo, BidCo, Positive, VRC and VRC Investment Co Pty Ltd have entered into the Subscription Agreement. The Subscription Agreement sets out, among other things, the terms on which the BGH Fund entities or one or more of their nominees would provide the funding for VRC to pay the cash consideration under the Structure A Scheme Consideration if the Structure A Scheme becomes Effective. Further information regarding the operation of the Subscription Agreement is set out in Section 6.5(a).

iv. Positive Sale Agreement

HoldCo, BidCo and each shareholder in Positive as at the date of this Scheme Booklet have entered into the Positive Sale Agreement. The Positive Sale Agreement sets out the terms on which each shareholder in Positive agrees to sell all of its ordinary shares in Positive to BidCo in exchange for, based on elections made by each shareholder in Positive, cash consideration and/or HoldCo Shares.

Broadly, the consideration paid by BidCo for the shares in Positive is to be determined as the value of the VRL Shares held by VRC, based on the Structure A Cash Consideration, plus certain cash held by, and less certain liabilities (if any) of, the VRC Group. Each shareholder of Positive is entitled to the proportion of the consideration that is equal to their respective shareholding in Positive (**Positive Proportionate Consideration**). Each shareholder of Positive has elected to receive its Positive Proportionate Consideration as either:

- a combination of a cash amount and the balance of the Positive Proportionate Consideration in HoldCo Shares (at a deemed issue price equal to the Structure A Cash Consideration); or
- all cash or all HoldCo Shares (at a deemed issue price equal to the Structure A Cash Consideration) in respect of their Positive Proportionate Consideration.

The sellers under the Positive Share Sale Agreement that receive HoldCo Shares as consideration will be Participating Shareholders for the purposes of the HoldCo Shareholders' Deed.

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Completion under the Positive Sale Agreement is subject to certain conditions, including:

- the Structure A Scheme becoming Effective;
- certain actions being taken in respect of the affairs of the VRC Group, including all employees of the VRC Group being transferred to a new employing entity outside of the VRC Group, certain loan arrangements to which members of the VRC Group are a party being terminated and certain entities that are not wholly owned by the VRC Group being transferred to entities outside of the VRC Group; and
- there being no actual or proposed change in tax laws that would be expected to adversely affect the ability of the shareholders in Positive obtaining scrip-for-scrip roll-over relief in respect of the disposal of their shares in Positive.

The sellers under the Positive Sale Agreement have given certain warranties and indemnities in respect of the VRC Group in favour of BidCo. These warranties and indemnities are subject to customary qualifications and limitations.

v. VRC Principal Share Sale Agreements

Holdco and VRC have entered into individual share sale agreements with each of the Direct Sellers for VRC to acquire all the VRL Shares held or beneficially owned by the Direct Sellers. The Direct Sellers have elected to receive either an amount equal to the Structure A Cash Consideration or one HoldCo Share for each VRL Share they sell under the respective VRC Principal Share Sale Agreement. Each VRC Principal Share Sale Agreement is conditional upon the Structure A Scheme becoming Effective. The Direct Sellers under the VRC Principal Share Sale Agreements that receive HoldCo Shares as consideration will also be Participating Shareholders for the purposes of the HoldCo Shareholders' Deed.

vi. Entitlements of the VRC Principals

The table below sets out the entitlements of the VRC Principals to HoldCo Shares and cash consideration on completion of the Positive Sale Agreement and VRC Principals Share Sale Agreements based on certain assumptions.

The entitlements of the VRC Principals under the Positive Sale Agreement are subject to adjustments based on the Net Cash (as defined in the Positive Sale Agreement) held by Positive as at completion of the sale of Positive, as well as the final value of the Structure A Cash Consideration.

The entitlements of the VRC Principals under the respective VRC Principals Share Sale Agreements are subject to adjustments based on the final value of the Structure A Cash Consideration.

Accordingly, the table below is based on the assumption that the Net Cash held by Positive at completion of the sale of Positive is nil, and the base Structure A Cash Consideration of $2.20 applies. If either of these figures is higher at completion of the sale of Positive then the figures in the table below would increase.

Note that the Scheme Consideration and Structure A Cash Consideration in the table below may be subject to the rounding requirements under Either Alternative Scheme and the final figure may vary to the amount set out in this table.

Director's name	Number of HoldCo Shares to be received	Cash amount to be received
Robert George Kirby[14]	19,453,821	$13,213,760
Graham William Burke[15]	19,453,821	$16,842,163
John Ross Kirby[16]	10,336,064	$33,076,630

b. HoldCo Shares as Scheme Consideration

Each Eligible Structure A Scheme Shareholder that makes a valid Election will receive one HoldCo Share for each VRL Share held by that Structure A Scheme Shareholder which is subject to the valid Election, provided the Structure A Share Floor condition is satisfied and subject to the Structure A Scale Back.

Structure A Scheme Shareholders who receive HoldCo Shares as Scheme Consideration under the Scheme will become parties to the HoldCo Shareholders' Deed as 'Other Shareholders'. If required by BGH or HoldCo, HoldCo may direct that a Nominee hold HoldCo Shares issued to a Structure A Shareholder on bare trust for the Structure A Shareholder pursuant to the terms of the Nominee Deed and the HoldCo Shareholders' Deed. A summary of the rights and obligations of holders of HoldCo Shares are provided in Section 7.4.

VRL Shareholders may request that a copy of the HoldCo Shareholders' Deed be sent to them either in hard copy or electronically by contacting the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time). A copy of the Nominee Deed is attached at Schedule 4 to the HoldCo Shareholders' Deed.

14 Robert George Kirby's associated entities are the RGK Superannuation Pty Ltd, RGK Retirement Nominees Pty Ltd, Robert Kirby Investments Pty Ltd and Robert Kirby Family Trust No. 2, which he acts as a trustee for.
15 Graham William Burke's associated entities are GW Burke Investments Pty Ltd, GWB Superannuation Pty Ltd, RAB Superannuation Pty Ltd, Burvil Investments Pty Ltd and Burvil Investments Pty. Ltd (which also acts as a trustee for Graham William Burke).
16 John Ross Kirby's associated entities are the C&J Kirby Investments Pty Ltd, JRK Retirement Nominees Pty Ltd and John Kirby Family Trust No. 2, which he acts as a trustee for.

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c. Elections by Eligible Structure A Scheme Shareholders

As set out in Section 1.9, Eligible Structure A Scheme Shareholders are entitled to make a Partial Election or Maximum Election electing to receiving HoldCo Shares as Scheme Consideration. These Elections operate as follows, at implementation of the Structure A Scheme (subject to the Structure A Share Floor condition being met and the Structure A Scale Back):

- **Partial Election**: An Eligible Structure A Scheme Shareholder who validly makes a Partial Election will receive the Structure A Cash Consideration in respect of 50% of their Structure A Scheme Shares and in respect of the remaining 50% of their Structure A Scheme Shares they will receive one HoldCo Share for each Structure A Scheme Share.
- **Maximum Election**: An Eligible Structure A Scheme Shareholder who makes a Maximum Election will receive one HoldCo Share for each Structure A Scheme Share held, that is, the Eligible Structure A Scheme Shareholder will receive all Scheme Consideration to which it is entitled in the form of HoldCo Shares.

HoldCo is only required to issue HoldCo Shares as Scheme Consideration if valid Elections are received under the Structure A Scheme in respect of Structure A Scheme Shares equal to at least the Structure A Share Floor. If the Structure A Share Floor is not met, all Structure A Shareholders who have made valid Elections will receive the Structure A Cash Consideration in respect of all of their Structure A Scheme Shares.

The issue of HoldCo Shares as Scheme Consideration is also subject to the Structure A Share Cap and the Structure A Scale Back. The Structure A Scale Back operates where Eligible Structure A Scheme Shareholders have made valid Elections in respect of Structure A Scheme Shares in excess of the Structure A Share Cap. In these circumstances the Elections of all Eligible Structure A Scheme Shareholders will be scaled back on a pro rata basis (based on the number of Structure A Scheme Shares the Eligible Structure A Scheme Shareholder has made an Election in respect of) so as to ensure that HoldCo is not required to issue any HoldCo Shares as Scheme Consideration in excess of the Structure A Share Cap. Eligible Structure A Scheme Shareholders that are subject to the Structure A Scale Back will receive the Structure A Cash Consideration as Scheme Consideration for each Structure A Scheme Share that is subject to the pro rata scale back.

The following table sets out the proportion of the Scheme Consideration which would be issued to a Structure A Scheme Shareholder in the form of HoldCo Shares and Structure A Cash Consideration in a number of scenarios to show the effect of the Structure A Scale Back. The examples in the table below assume for ease that a Structure A Shareholder holds 1,000 Structure A Scheme Shares and makes a valid Election in respect of all of these shares (that is, the Structure A Scheme Shareholder makes a Maximum Election).

Total Structure A Scheme Shares subject to a valid Election	HoldCo Shares received by a Structure A Scheme Shareholder who holds 1,000 Structure A Scheme Shares	Structure A Cash Consideration received by a Structure A Scheme Shareholder who holds 1,000 Structure A Scheme Shares	
		Assuming Structure A Cash Consideration of $2.20	Assuming Structure A Cash Consideration of $2.32
Less than 9,762,630	Nil	$2,200.00	$2,320.00
48,813,148	600	$880.00	$928.00
69,733,069	420	$1,276.00	$1,345.60

A Structure A Scheme Shareholder whose Registered Address is a place outside Australia or its external territories will be a Foreign Scheme Shareholder, and will not be capable of making a valid Election (unless HoldCo in its absolute discretion determines otherwise).

If you are a Foreign Scheme Shareholder, you will not be entitled to receive HoldCo Shares as Scheme Consideration (unless HoldCo in its absolute discretion determines otherwise). If you are a Foreign Scheme Shareholder and you make an Election, your Election will be invalid and have no effect, and you will receive the Structure A Cash Consideration for all your Structure A Scheme Shares if the Structure A Scheme becomes Effective (unless HoldCo in its absolute discretion determines otherwise).

d. Illustrative ownership structure of HoldCo under various scenarios

The following scenarios are shown to illustrate the ownership structure of HoldCo which may eventuate at the Structure A Implementation Date. Each of these scenarios is based on a number of assumptions which are unlikely to reflect the actual outcome of events at the Structure A Implementation Date and should be considered as illustrative only.

	Percentage of HoldCo Shares held by each type of shareholder in HoldCo immediately following the Structure A Scheme, where:^		
	Valid Elections are insufficient to meet the Structure A Share Floor	Valid Elections equal to 10% of the VRL Shares on issue	Valid Elections are equal to or above the Structure A Share Cap
BGH Shareholders*	78.7%	70.3%	66.1%
Participating Shareholders	21.3%	21.3%	21.3%
Other Shareholders	Nil	8.4%	12.6%

^ Assumes Structure A Cash Consideration of $2.20 and the BGH Second Ranking Secured Loan is fully drawn for $50 million.
* Assumes the maximum $30 million of transaction costs that may be funded by, as well as the $50 million in additional liquidity (described in Section 6.5(a)) funded by, BGH Shareholders subscribing for HoldCo Shares under the Subscription Agreement.

***Note**: Table above excludes the impact of any potential management equity plan adopted following implementation of the Structure A Scheme. See Section 9.4(f) for further details.*

e. Illustrative sources and uses of funds under various scenarios

The table below sets out three scenarios in relation to the sources and uses of funds that are illustrative only.

Scenario 1: Structure A Cash Consideration equal to $2.20 (no uplift events)

	No valid Elections Made ($)*	Valid Elections made equal to Structure A Share Floor ($)*	Valid Elections made equal to or above the Structure A Share Cap*
Sources			
Cash provided by BGH Shareholders under Subscription Agreement	401.33m	379.85m	336.89m
Cash provided pursuant to BGH Second Ranking Secured Loan	50.00m	50.00 m	50.00m
HoldCo Shares issued as consideration	108.34m	129.81m	172.77m
Cash on balance sheet	13.40m	13.40m	13.40m
Total sources of funds	**573.06m**	**573.06m**	**573.06m**
Uses			
Payments of Structure A Cash Consideration and cash consideration under Positive Share Sale Agreements and VRC Principals Share Sale Agreements	429.66m	429.66m	429.66m
Estimated transaction costs	43.40m	43.40m	43.40m
Repayment of Liquidity Facility^	57.85m	57.85m	57.85m
Additional liquidity available for HoldCo Group	42.15m	42.15m	42.15m
Total uses of funds	**573.06m**	**573.06m**	**573.06m**

* This illustrates the sources and uses of funds in the circumstances where the Structure A Cash Consideration is $2.20 per Structure A Scheme Share, with no additional cash consideration payable.

^ Based on current expected draw down of the Liquidity Facility immediately prior to Implementation, which is an estimate only.

Scenario 2: Structure A Cash Consideration equal to $2.32 (Theme Parks Uplift Event occurs)

	No valid Elections Made ($)*	Valid Elections made equal to Structure A Share Floor ($)*	Valid Elections made equal to or above the Structure A Share Cap*
Sources			
Cash provided by BGH Shareholders under Subscription Agreement	418.85m	396.20m	350.90m
Cash provided pursuant to BGH Second Ranking Secured Loan	50.00m	50.00m	50.00m
HoldCo Shares issued as consideration	114.25m	136.89m	182.19m
Cash on balance sheet	13.40m	13.40m	13.40m
Total sources of funds	**596.50m**	**596.50m**	**596.50m**
Uses			
Payments of Structure A Cash Consideration and cash consideration under Positive Share Sale Agreements and VRC Principals Share Sale Agreements	453.10m	453.10m	453.10m
Estimated transaction costs	43.40m	43.40m	43.40m
Repayment of Liquidity Facility^	57.85m	57.85m	57.85m
Additional liquidity available for HoldCo Group	42.15m	42.15m	42.15m
Total uses of funds	**596.50m**	**596.50m**	**596.50m**

* This illustrates the sources and uses of funds in circumstances where the Structure A Cash Consideration is $2.32 per Structure A Scheme Share, being where the Theme Parks Uplift Event occurs, but the Cinema Uplift Event and Border Uplift Event do not occur (which have been excluded in light of the conclusion reached by the IBC as set out in Section 2.7(c)).

^ Based on current expected draw down of the Liquidity Facility immediately prior to Implementation, which is an estimate only.

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7.3 Potential uplifts for the Structure A Cash Consideration

The Structure A Cash Consideration comprises of a base amount of $2.20 per Structure A Scheme Share, with certain additional amounts of cash consideration payable where certain circumstances are met. There is no guarantee that Structure A Scheme Shareholders will be entitled to any additional amounts of cash consideration above the $2.20 per Structure A Scheme Share. Further, these additional amounts are only paid in respect of Structure A Scheme Shares that receive Structure A Cash Consideration and not Structure A Scheme Shares that are to receive HoldCo Shares pursuant to the Structure A Scheme.

Theme Parks Uplift Event: An additional $0.12 per Structure A Scheme Share will be payable where the Theme Parks Uplift Event occurs. Broadly, the Theme Parks Uplift Event occurs where all of the following requirements are met:

- the Warner Bros. Movie World and Sea World theme parks are open to the public for a period of 5 Business Days ending at 4.00pm on the day that is 11 days prior to the Proxy Cut-Off Date (currently the 5 day period is expected to be 9 November 2020 to 13 November 2020), disregarding temporary closures for weather related events, cleaning or analogous purposes in accordance with the requirements of any Governmental Agency; and
- the VRL Group has acted in good faith in deciding to re-open the Warner Bros Movie World and Sea World theme parks taking into consideration the expected impact on operating performance of any State or Federal laws, directions or recommendations.

The Implementation Agreement also provided for additional cash amounts to be payable as part of the Structure A Cash Consideration in the circumstances set out in paragraphs (a) and (b) below. However, as set out in Section 2.7(c), the IBC considers that it is highly improbable that the Cinema Uplift Event will occur and that it is unlikely that the requirements for the Border Uplift Event will be met, and therefore it is unlikely that the additional cash amounts set out below will be payable as part of the Structure A Cash Consideration.

a. **Cinema Uplift Event**: An additional $0.08 per Structure A Scheme Share would be payable where the Cinema Uplift Event occurs. Broadly, the Cinema Uplift Event occurs where all of the follow requirements are met:
   - the majority of Cinema Business Locations and Cinema Business Locations that have contributed to at least 75% of the revenue derived from the total Cinema Business Locations in the financial year ended 30 June 2019 (as specified in a list previously agreed by VRL and BidCo) are open to the public for a period of 5 Business Days ending at 4.00pm on the day that is 11 days prior to the Proxy Cut-Off Date (currently the 5 day period is expected to be 9 November 2020 to 13 November 2020), disregarding temporary closures for cleaning or analogous purposes in accordance with the requirements of any Governmental Agency;
   - the VRL Group has acted in good faith, taking into consideration the expected impact on operating performance of any State or Federal Government laws, directions or recommendations, in deciding to re-open the cinemas operated by them or to exercise a right that could reasonably result in the reopening of cinemas operated by a joint venture to which a member of the VRL Group is a party; and
   - a Film Deferral Event has not occurred, where a Film Deferral Event occurs if between the date of the Implementation Agreement and the day that is 11 days prior to the Proxy Cut-Off Date (such date currently expected to be 13 November 2020):
     - any three or more films from a list agreed between VRL and BGH are effectively deferred either indefinitely, without a revised date or into the financial year ending 30 June 2022 or a later financial year or the scheduled release date for the film in Australia for physical distribution, video on demand, subscription services, electronic sell through or free to air is before the date that is 17 days following the first full day release of the film for cinema exhibition at a Cinema Business Location; and
     - A > D, where:

       A = (B X C) + $15 million;

       B = the aggregate estimated box office value of the deferred films (as agreed by VRL and BGH on 6 August 2020) divided by the number of deferred films;

       C = the number of deferred films – 2; and

       D = the aggregate estimated box office value of all films that individually have an estimated box office value of $15 million or more determined by VRL acting reasonably which have been added after 6 August 2020 to the film slate for the financial year ending 30 June 2021.

b. **Border Uplift Event**: An additional $0.05 per Structure A Scheme Share will be payable where the Border Uplift Event occurs. Broadly, the Border Uplift Event occurs where both of the following requirements are met, at 12:00pm (Brisbane time) on:
   - 1 November 2020, there are no border control measures imposed by the Queensland Government prohibiting any person from New South Wales from entering Queensland; and
   - 15 November 2020, there are no border control measures imposed by the Queensland Government prohibiting any person from Victoria from entering Queensland.

In light of the conclusions reached by the IBC in Section 2.7(c), it is expected that the Structure A Scheme Shareholders receiving Structure A Cash Consideration may receive either $2.20 or $2.32 per Structure A Scheme Share. The table below sets out the potential expected outcomes in respect of the Structure A Cash Consideration if the Structure A Scheme becomes Effective depending on whether or not the Theme Parks Uplift Event is met. Given the IBC's conclusion set out in Section 2.7(c) that it is highly improbable that the requirements of the Cinema Uplift Event would be met and that it is unlikely that the requirements of the Border Uplift Event would be met, the additional cash consideration associated with the Cinema Uplift Event or Border Uplift Event have not been included in the table below.

Uplift condition(s) met	Uplift condition(s) not met	Structure A Cash Consideration payable per Structure A Scheme Share
None	Cinema Uplift Event Theme Parks Uplift Event Border Uplift Event	$2.20
Theme Parks Uplift Event	Cinema Uplift Event Border Uplift Event	$2.32

Please see Section 2.7(c) for the status of each of these potential uplift events as at the Last Practicable Date.

7.4 HoldCo Shares

a. Overview

HoldCo Shares are subject to the HoldCo Constitution and will be subject to the HoldCo Shareholders' Deed. VRL Shareholders may request that a copy of the HoldCo Shareholders' Deed be sent to them either in hard copy or electronically by contacting the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time).

You should note that the HoldCo constitution provides that the terms of the HoldCo Shareholders' Deed will prevail in the event of any inconsistency between the provisions of the HoldCo constitution and the HoldCo Shareholders' Deed.

Structure A Scheme Shareholders should seek professional advice from a solicitor, an accountant, a tax adviser or other independent and qualified professional advisers before deciding whether to Elect to receive HoldCo Shares as Structure A Scheme Consideration, including in relation to the nature of the HoldCo Shares, the risk factors relating to holding HoldCo Shares in light of their own personal circumstances, and the rights and obligations under both the HoldCo Constitution and HoldCo Shareholders' Deed.

Section 9.4 sets out the material risk factors which are known to BidCo as at the date of this Scheme Booklet that will apply to VRL Shareholders that elect to receive HoldCo Shares at implementation of the Structure A Scheme. VRL Shareholders should carefully consider Section 9.4 before making an Election.

b. Rights and obligations of HoldCo Shares

A summary of the key rights and liabilities attaching to HoldCo Shares is set out below. This summary is not exhaustive and should be read in conjunction with the full terms of the HoldCo Shareholders' Deed and the HoldCo Constitution.

VRL Shareholders who receive HoldCo Shares as some or all of their Structure A Scheme Consideration will become parties to the HoldCo Shareholders' Deed. This will occur by force of the Structure A Scheme, without the need for any action on their part.

i. Voting rights

Each HoldCo Share will be entitled to one vote at a meeting of shareholders.

ii. Dividends

Each HoldCo Share will have the same economic rights to dividends and distributions from HoldCo.

The declaration or payment of any dividend or other distribution is to be approved by the HoldCo board of directors. Under the HoldCo Shareholders' Deed, no dividends will be payable in respect of any period prior to the second anniversary of the Implementation Date, except with the approval of the HoldCo Board (including the BGH Directors).

The HoldCo Board will adopt a dividend policy of declaring a dividend for each financial year commencing after the second anniversary of the Implementation Date of up to 100% of the net profit after tax, subject to:

- the HoldCo Board forming the view that declaring a dividend will not result in a breach of requirements under, give rise to any default, event of default, review event or similar event under or cause any other materially adverse circumstances in respect of any financing arrangements to which a member of the HoldCo Group is a party from time to time;
- HoldCo Group having paid all amounts accrued prior to the dividend in respect of any interest (including interest that has accrued under "payment in kind" arrangements) payable under the BGH Second Ranking Secured Loan; and
- the net debt divided by earnings before interest, tax, depreciation and amortisation of the HoldCo Group (each calculated by the HoldCo Board acting reasonably) is at the time of declaring the dividend, and is expected by the HoldCo Board to continue to remain for the period of 6 months after the payment of the dividend, below 3.0 times.

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iii. Appointment of directors and chairman

The HoldCo Board must be constituted by a minimum of three directors.

The BGH Shareholders will have the right to appoint, remove and replace three directors to the HoldCo Board (each a **BGH Director**).

Participating Shareholders who are identified as being affiliated with:

- Robert Kirby will have the right to appoint, remove and replace two directors, for so long as they collectively hold 5% or more of the HoldCo Shares on issue, and initially appoint Robert Kirby and Clark Kirby to the HoldCo Board; and
- Graham Burke will have the right to appoint, remove and replace one director, for so long as they collectively hold 5% or more of the HoldCo Shares on issue, and initially appoint Graham Burke to the HoldCo Board,

(each a **Participating Director**).

If Robert Kirby or Graham Burke cease to have the right to appoint, remove and replace a Participating Director, the BGH Shareholders will have the right to appoint an additional director to replace the position of that Participating Director.

Robert Kirby will serve as the initial executive chairperson and Graham Burke will serve as the initial co-chairperson. If Robert Kirby or Graham Burke cease to be a director of HoldCo, the chairperson or co-chairperson (as applicable) will be appointed by the HoldCo Board from time to time. Graham Burke will be entitled to be the co-chairperson for a period of 3 years from the Implementation Date. After such time the BGH Shareholders may decide to eliminate that title or appoint another member of the HoldCo Board as co-chairperson.

iv. Board decision making

Two directors are required to form a quorum for a board meeting of HoldCo, which must include a BGH Director (for so long as at least one BGH Director holds office) and a Participating Director (for so long as at least one Participating Director holds office).

BGH Directors together will be entitled to that number of votes which is equal to the number of votes capable of being cast in respect of HoldCo Shares held by the BGH Shareholders.

The Participating Directors appointed by Robert Kirby together will be entitled to that number of votes which is equal to the number of votes capable of being cast in respect of HoldCo Shares held by Participating Shareholders identified as being affiliated with Robert Kirby.

The Participating Director appointed by Graham Burke will be entitled to that number of votes which is equal to the number of votes capable of being cast in respect of HoldCo Shares held by Participating Shareholders identified as being affiliated with Graham Burke.

Subject to applicable law and the terms of the HoldCo Shareholders' Deed, and except for the Reserved Matters and other matters which are expressed to require Special Majority Approval in the HoldCo Shareholders' Deed, all actions or resolutions of the Board of HoldCo will be made by the affirmative vote of a simple majority of directors (being directors that together hold more than 50% of the total voting rights of all directors who attend the relevant Board meeting or sign the relevant written resolution, as the case may be, and who are entitled to vote on the relevant resolution).

Reserved Matters require Special Majority Approval, being the affirmative vote of directors who together represent more than an applicable threshold of the percentage of total voting rights of all directors who attend the relevant HoldCo Board meeting or sign the relevant written resolution, as the case may be, and who are entitled to vote on the relevant resolution. The applicable threshold for Special Majority Approval is determined having regard to the percentage of HoldCo Shares collectively held by the Participating Shareholders entitled to appoint the Participating Directors, such that where these Participating Shareholders collectively hold:

- more than 20% of the HoldCo Shares, the applicable threshold will be 80%;
- between 10% and 20% of the HoldCo Shares, the applicable threshold will be 90%; and
- less than 10% of the HoldCo Shares, the applicable threshold will be 50%.

The Reserved Matters (if the Structure A Scheme is implemented) are set out in Schedule 3 of the HoldCo Shareholders' Deed, and include:

- (**executive Director terms**): remove, or vary the terms of engagement of, the initial executive chairperson, co-chairperson and CEO, except in certain circumstances for cause or underperformance of the HoldCo Group (including the removal of the initial executive chairperson or initial co-chairperson);
- (**budget and business plan**): adoption of, and any material variations to, the budget or business plan, other than adoption of the initial budget or business plan;
- (**disposal of theme park business**): divestment of all or a material part of the HoldCo Group's theme park business prior to the fifth anniversary of Implementation, other than as otherwise permitted under the HoldCo Shareholders' Deed;
- (**capital reduction**): materially alter HoldCo's capital structure, whether by buy-back, capital reduction or otherwise, other than as otherwise permitted under the HoldCo Shareholders' Deed;
- (**variation of rights**): the variation of rights attaching to any securities of HoldCo;

- (**equity raisings**): any equity raising by the HoldCo Group involving the issue of HoldCo Shares, other than:
  - pursuant to any emergency funding (see below);
  - for capital expenditure in connection with specific developments set out in the HoldCo Shareholders' Deed, provided HoldCo has first pursued in good faith debt funding for those projects;
  - raisings that in aggregate account for no more than 10% of the equity value of HoldCo as calculated at implementation of the Structure A Scheme; or
  - as otherwise provided for in the HoldCo Shareholders' Deed.
- (**dividends**) declare, make or pay a dividend, other than dividends in accordance with the HoldCo Shareholders' Deed;
- (**change in the nature of business**) materially alter the nature of the operations of the business of the HoldCo Group;
- (**IPO**) undertaking an IPO, except as provided for in the HoldCo Shareholders' Deed; and
- (**Operational Professional**) appointment and terms of engagement of an operational professional, except as provided for in the HoldCo Shareholders' Deed.

v. Further capital raising

BGH Shareholders and Participating Shareholders (but not the Other Shareholders) will have a pre-emptive right to participate in any new equity raising pro rata to their shareholding in HoldCo, except in certain circumstances specified in the HoldCo Shareholders' Deed.

Equity raisings must not be conducted at a discount to the latest quarterly valuation for HoldCo prepared by BGH and circulated by BGH to its investors in its quarterly report, except for emergency equity raisings. Emergency equity raisings may be conducted at a discount of up to 20% to the latest quarterly valuation for HoldCo prepared by BGH.

vi. Restrictions on transfer

Participating Shareholders and Other Shareholders are not permitted to deal with their HoldCo Shares except:

- by way of transfer to a Permitted Transferee (being an Affiliate in respect of a Participating Shareholder or an Other Shareholder);
- Shareholders affiliated with Robert Kirby and Graham Burke may transfer HoldCo Shares between one another; or
- in accordance with the exit mechanism outlined in Section 7.4(b)(vii) below.

If a transferee ceases to be a Permitted Transferee, they must transfer back their holding of the HoldCo Shares to the original transferor or a Permitted Transferee.

The BGH Shareholders may dispose of any of their HoldCo Shares at any time after the third anniversary of the Implementation Date.

vii. Exit arrangements

Drag Along Rights

If HoldCo Shareholders (which must include a BGH Shareholder) that hold more than 50% of the HoldCo Shares (**Exiting Shareholders**) on issue wish to sell (including by way of IPO or under an arm's length bona fide offer under which the consideration is cash or securities) more than 50% of the HoldCo Shares held by all Shareholders, they may require Other Shareholders (and in certain circumstances Participating Shareholders) to sell the same proportion of their HoldCo Shares to the third party on terms no less favourable than the terms offered by the third party to the Exiting Shareholders.

Tag Along Rights

If HoldCo Shareholders that hold more than 50% of the HoldCo Shares on issue (**Selling Shareholders**) wish to sell more than 50% of the HoldCo Shares held by all shareholders of HoldCo, the remaining HoldCo Shareholders must be invited to sell the same proportion of their HoldCo Shares to the third party on terms no less favourable than the terms offered by the third party to the Selling Shareholders, subject to certain exceptions set out in the HoldCo Shareholders' Deed.

IPO

Exiting Shareholders may request that HoldCo pursue an IPO. This request to pursue an IPO may be made at any time following the fifth anniversary of the Implementation Date or earlier if certain qualifying circumstances (relating to certain specific developments having been completed and other specific developments being well advanced, such that the value of these developments are reasonably expected to be substantially captured in the valuation achieved on an IPO) and Special Majority Approval of the HoldCo Board is obtained.

The Exiting Shareholders must invite, and may require, that each Other Shareholder (and in certain circumstances Participating Shareholders) sell the same proportion of their HoldCo Shares pursuant to the IPO as the Exiting Shareholders.

On an IPO, HoldCo Shareholders that following the IPO together hold more than 10% of the shares in HoldCo or a new holding company used for the purposes will have the right to appoint one director.

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Other Exit

HoldCo Shareholders (which must include a BGH Shareholder) that hold more than 50% of the HoldCo Shares may request that HoldCo pursue an Exit (broadly comprising of a sale of HoldCo Shares held by the Exiting Shareholders, sale of substantially all of the HoldCo Group's assets or other similar transaction). This request to pursue an Exit may be made at any time following the sixth anniversary of the Implementation Date.

On an Exit occurring, Participating Shareholders that do not exercise their tag along rights or are not subject to the drag along regime (each described above) may require certain rights be secured with the acquirer that vary depending on whether the acquirer is a financial sponsor or other type of acquirer, these rights are set out in the HoldCo Shareholders' Deed.

Small HoldCo Shareholders

At any time after the first anniversary of the Implementation Date, the HoldCo Board may require an Other Shareholder holding a parcel of HoldCo Shares which had an aggregate issue price (determined at the time of issue) of $10,000 or less to dispose of its HoldCo Shares. These "Small Shareholders" will receive value for their HoldCo Shares equal to the latest quarterly valuation for HoldCo prepared by BGH.

viii. Compulsory acquisition:

If a HoldCo Shareholder experiences an insolvency event, or is in material breach of the HoldCo Shareholders' Deed, that HoldCo Shareholder must offer its HoldCo Shares for transfer to the other HoldCo Shareholders. If an Other Shareholder or a Participating Shareholder experiences a change of control (without the consent of the BGH Shareholders, exercised in their sole discretion), that HoldCo shareholder must offer its HoldCo Shares for transfer to the non-defaulting BGH Shareholders and Participating Shareholders at fair market value.

ix. Variations to the HoldCo Shareholders' Deed

The HoldCo Shareholders' Deed may be varied if it is in writing and signed by the BGH Shareholders and Participating Shareholders holding in aggregate not less than two thirds of the total Shares held by the Participating Shareholders, provided the Participating Shareholders collectively hold more than 10% of the Shares. The Board of HoldCo or the BGH Shareholders may also vary the HoldCo Shareholders' Deed, provided the proposed variation is determined not to cause any material adverse impact on the rights of a Participating Shareholder or Other Shareholder, be necessary to comply with applicable laws or be necessary or desirable to accommodate the terms of a management equity incentive plan.

x. Nominee arrangements

HoldCo may require that an Other Shareholder or Participating Shareholder transfer legal title in their HoldCo Shares to the Nominee for those HoldCo Shares to be held on bare trust for the relevant HoldCo Shareholder pursuant to the terms of the Nominee Deed. The intention of the arrangements with the Nominee is to ensure that the voting, economic and other interests of the Other Shareholders or Participating Shareholders are unaffected by the HoldCo Shares being held by the Nominee.

The key terms of the nominee arrangements under the Nominee Deed and the HoldCo Shareholders' Deed are as follows:

- The Other Shareholder or Participating Shareholder will be beneficial holders in relation to shares held by the Nominee as bare trustee on their behalf.
- Each Other Shareholder or Participating Shareholder will be able to instruct the Nominee to exercise voting rights or take other steps as the registered holder of shares on its behalf.
- HoldCo will procure that any distribution or dividend that would otherwise be paid to the Nominee will instead be paid to the relevant beneficial holder in proportion to the number of shares that are held on trust for the beneficial holder.
- HoldCo will give, make available or despatch all notices or information it circulates to shareholders to beneficial holders as well as the Nominee.
- Each Other Shareholder or Participating Shareholder who is a beneficial holder under the Nominee Deed must not (without the consent of the HoldCo board) direct the Nominee to transfer legal title to the HoldCo Shares held on trust for that Other Shareholder or Participating Shareholder back to the Other Shareholder to Participating Shareholder.
- The restrictions on transfer of HoldCo Shares set out in the HoldCo Shareholders' Deed apply to the Other Shareholders or Participating Shareholders that are beneficial holders. However, a beneficial holder may transfer shares to a Permitted Transferee on the basis that the Nominee is directed to hold legal title to the relevant shares as bare trustee on behalf of the transferee.

The above nominee arrangement is subject to the Other Shareholders or Participating Shareholders providing any required "Know Your Customer" information to HoldCo or the Nominee, in the absence of which their HoldCo Shares will still be issued to the Nominee but will instead be held on trust by the Nominee for a wholly owned subsidiary of VRL, who will in turn hold those HoldCo Shares on bare trust for the relevant Other Shareholders or Participating Shareholder on substantially the same terms as the Nominee Deed for a period of time (during which the relevant HoldCo shareholder must provide the "Know Your Customer" information to HoldCo or the Nominee). Under this arrangement, the Nominee would still be the registered legal holder of their HoldCo Shares and the relevant Other Shareholders or Participating Shareholder would still be the ultimate beneficial holder of those HoldCo Shares.

Consistently with ASIC Instrument 2020/734, in order for HoldCo, as an unlisted public company, to issue shares as consideration under the Structure A Scheme and to use custodial or nominee arrangements, certain conversion and termination provisions in respect of the arrangements with the Nominee have been adopted in the Structure A Shareholders' Deed. In effect, these provisions mean that if, after implementation of the Structure A Scheme, HoldCo subsequently changes its type to a proprietary company and at the time of the change has more than 50 non-employee beneficial shareholders (including those holding through the Nominee), with effect from the conversion, the arrangements with the Nominee must be terminated and the beneficial owners must become registered holders of the HoldCo Shares. These requirements can only be waived or varied by a special resolution (representing 75% or more of the votes cast) of those beneficial shareholders in HoldCo for whom VRL Shares are being held under the bare trust arrangements with the Nominee.

7.5 Conditions to the Structure A Scheme

Implementation of the Structure A Scheme is subject to the Conditions outlined in Section 2.9(b). The Structure A Scheme will not proceed unless all of the Conditions to the Structure A Scheme are satisfied or waived (as applicable) in accordance with the Implementation Agreement.

7.6 Termination rights

VRL and BidCo are entitled to terminate the Implementation Agreement in certain circumstances, as summarised below (and set out in full in clause 14 of the Implementation Agreement):

a. Termination by either VRL or BidCo: Either VRL or BidCo may terminate the Implementation Agreement (by giving written notice to the other party):

i. non-fulfilment of Conditions: where a Condition that is for the benefit of the party wishing to terminate is not satisfied or waived before the End Date and the Parties are unable to agree in accordance with the Implementation Date to amend the transaction or extend the End Date;

ii. material breach: at any time before the Delivery Time on the Second Court Date, where the other party is in material breach of the Implementation Agreement (excluding breaching of a party's respective representations and warranties, for which a separate termination right exists) and has not remedied that breach within 10 Business Days after being notified of the breach;

iii. Court refuses to convene Scheme Meetings: if the Court refuses to make orders directing VRL to convene the Scheme Meetings; or

iv. the Structure A Scheme or Structure B Scheme has not become Effective on or before the End Date.

b. Termination by VRL: VRL may terminate the Implementation Agreement at any time before the Delivery Time on the Second Court Date:

i. IBC change of recommendation: by giving written notice to VRC and BidCo, if a majority of Independent Directors of the IBC publicly change, withdraw or modify their recommendation;

ii. BidCo breach of warranty: by giving written notice to BidCo, if BidCo is in material breach of a BidCo Warranty or is in breach of certain warranties in the Implementation Agreement relating to the availability of funding to pay the Scheme Consideration (set out in clauses 11.3(b)(ix) to 11.3(b)(xii)) and has not remedied that breach within 10 Business Days after being notified of the breach; or

iii. VRC breach of warranty: by giving written notice to VRC and BidCo, if VRC is in material breach of a VRC Warranty or is in breach of certain warranties in the Implementation Agreement relating to the availability of funding to pay the Scheme Consideration (set out in clauses 11.1(b)(ix) to 11.1(b)(xiii)) and has not remedied that breach within 10 Business Days after being notified of the breach.

c. Termination by BidCo: BidCo may terminate the Implementation Agreement (by giving written notice to VRL) at any time before the Delivery Time on the Second Court Date if any Independent Director fails to recommend Each Alternative Scheme, withdraws or modifies their recommendation of Each Alternative Scheme or makes a public statement inconsistent with that recommendation, voting intention or recommends to support any Competing Proposal (other than as a result of any circumstances described in clause 7.2 of the Implementation Agreement).

7.7 Status of Conditions and termination rights

As at the date of this Scheme Booklet, none of BidCo or VRC are aware of any circumstances which would cause any conditions not to be satisfied or any termination right to be enlivened.

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8 THE STRUCTURE B SCHEME IN FURTHER DETAIL

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8. THE STRUCTURE B SCHEME IN FURTHER DETAIL

8.1 Introduction

This Section 8 forms part of the BidCo Information and has been prepared by BidCo. BidCo is solely responsible for the BidCo information (except to the extent that VRL has provided BidCo with information for the purpose of BidCo preparing the BidCo information). None of VRL, VRC nor any of their subsidiaries, directors, officers or advisers assume any responsibility for the accuracy or completeness of the BidCo Information.

8.2 Elements of the Structure B Scheme

a. Overview

If the Structure B Scheme becomes Effective, on the Structure B Implementation Date BidCo will acquire all of the Structure B Scheme Shares other than the Retained Shares.

Under the Structure B Scheme, Structure B Scheme Shareholders will have the option to either:

- receive Structure B Cash Consideration in respect of 100% of their Structure B Scheme Shares held on the Structure B Scheme Record Date; or
- make an Election to retain 100% of their Structure B Scheme Shares, subject to the Structure B Scale Back in which case they will become a party to and bound by the VRL Shareholders' Deed (see Section 8.4).

b. Election - Retained Shares and Structure B Retention Cap

Each Structure B Scheme Shareholder is entitled to make an Election to retain all of their Structure B Scheme Shares, subject to the Structure B Retention Cap and the Structure B Scale Back.

The Structure B Scale Back operates where Structure B Scheme Shareholders have made valid Elections in respect of Structure B Scheme Shares in excess of the Structure B Share Cap. In these circumstances the Elections of all Structure B Scheme Shareholders will be scaled back on a pro rata basis (based on the number of Structure B Scheme Shares the Structure B Scheme Shareholder has made an Election in respect of) so as to ensure that Retaining Shareholders do not retain Retained Shares in excess of the Structure B Share Cap. Structure B Scheme Shareholders that are subject to the Structure B Scale Back will be required to transfer to BidCo, and receive the Structure B Cash Consideration as Scheme Consideration for, each Structure B Scheme Share that is subject to the pro rata scale back.

The following table sets out the number of Retained Shares that a Retaining Shareholder would be entitled to retain and the Structure B Cash Consideration that would be received by the Retaining Shareholder in a number of scenarios to show the effect of the Structure B Scale Back. The examples in the table below assume for ease that a Structure B Shareholder holds 1,000 Structure B Scheme Shares and makes a valid Election in respect of all of these Structure B Scheme Shares.

Total Structure B Scheme Shares subject to a valid Election	Retained Shares retained by a Structure B Scheme Shareholder who holds 1,000 Structure B Scheme Shares	Structure B Cash Consideration received by a Structure B Scheme Shareholder who holds 1,000 Structure B Scheme Shares	
		Assuming Structure B Cash Consideration of $2.10	Assuming Structure B Cash Consideration of $2.22
Less than 97,626,298	1,000	Nil	Nil
139,466,140	700	$630.00	$666.00
156,240,464	625	$787.50	$832.50

All Structure B Scheme Shareholders will be entitled to make an Election, irrespective of their Registered Address.

c. Illustrative ownership structure of VRL under various scenarios

The following scenarios are shown to illustrate the ownership structure of VRL which may eventuate at the Structure B Implementation Date. Each of these scenarios is based on a number of assumptions which are unlikely to reflect the actual outcome of events at the Structure B Implementation Date and should be considered as illustrative only.

	Percentage of VRL Shares held by each type of shareholder in VRL immediately following the Structure B Scheme, where:^		
	No valid Elections are made (excluding VRC and the VRC Principals)	Valid Elections are to retain 40% of the VRL Shares on issue	Valid Elections are equal to or above the Structure B Retention Cap
BGH Shareholders*	71.7%	66.5%	58.2%
Retaining Shareholders	28.3%	33.5%	41.8%

^ Assumes Structure B Cash Consideration of $2.10 and the BGH Second Ranking Secured Loan is fully drawn for $50 million.
* Assumes BGH Shareholders subscribe for $50 million in VRL Shares to fund the additional liquidity described in Section 6.5(a) and a further $30 million to pay transaction costs.

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***Note**: Table above excludes the impact of any potential management equity plan adopted following implementation of the Structure B Scheme. See Section 9.4(f) for further details.*

d. Illustrative sources and uses of funds under various scenarios

The table below sets out three scenarios in relation to the sources and uses of funds that are illustrative only.

Scenario 1: Structure B Cash Consideration equal to $2.10 (no uplift events)

	No valid Elections Made ($)*(excluding VRC and the VRC Principals)	Valid Elections are to retain 40% of the VRL Shares on issue*	Valid Elections made equal to or above Structure B Share Cap*
Sources			
Cash provided by BGH Shareholders under Subscription Agreement	351.61m	326.08m	285.12m
Cash provided pursuant to BGH Second Ranking Secured Loan	50.00m	50.00m	50.00m
Retained Shares value	138.52m	164.05m	205.02m
Cash on balance sheet	13.40m	13.40m	13.40m
Total sources of funds	**553.53m**	**553.53m**	**553.53m**
Uses			
Payments of Structure B Cash Consideration	410.13m	410.13m	410.13m
Estimated transaction costs	43.40m	43.40m	43.40m
Repayment of Liquidity Facility^	57.85m	57.85m	57.85m
Additional liquidity available to the VRL Group	42.15m	42.15m	42.15m
Total uses of funds	**553.53m**	**553.53m**	**553.53m**

* This illustrates the sources and uses of funds in circumstances where the Structure B Cash Consideration is $2.10 per Structure B Scheme Share, with no additional cash consideration payable.

^ Based on current expected draw down of the Liquidity Facility immediately prior to Implementation, which is an estimate only.

Scenario 2: Structure B Cash Consideration equal to $2.22 (Theme Parks Uplift Event occurs)

	No valid Elections Made (excluding VRC and the VRC Principals) ($)*	Valid Elections are to retain 40% of the VRL Shares on issue*	Valid Elections made equal to Structure B Retention Cap*
Sources			
Cash provided by BGH Shareholders under Subscription Agreement	367.13m	340.14m	296.84m
Cash provided pursuant to BGH Second Ranking Secured Loan	50.00m	50.00m	50.00m
Retained Shares value	146.43m	173.43m	216.73m
Cash on balance sheet	13.40m	13.40m	13.40m
Total sources of funds	**576.97m**	**576.97m**	**576.97m**
Uses			
Payments of Structure B Cash Consideration	433.57m	433.57m	433.57m
Estimated transaction costs	43.40m	43.40m	43.40m
Repayment of Liquidity Facility^	57.85m	57.85m	57.85m
Additional liquidity to the VRL Group	42.15m	42.15m	42.15m
Total uses of funds	**576.97m**	**576.97m**	**576.97m**

* This illustrates the sources and uses of funds in circumstances where the Structure B Cash Consideration is $2.22 per Structure B Scheme Share, being where the Theme Parks Uplift Event occurs, but the Cinema Uplift Event and Border Uplift Event do not occur (which have been excluded in light of the conclusion reached by the IBC as set out in Section 2.7(c)).

^ Based on current expected draw down of the Liquidity Facility immediately prior to Implementation, which is an estimate only.

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e. Restructure Event

Under the Structure B Shareholders Deed, at any time during the period that commences on the date that is:

i. **Retaining Shareholders' option**: 6 months, and ends on the date that is 9 months, following the Structure B Implementation Date, a Retaining Shareholder who individually holds more than 7.5% of the VRL Shares on issue or collectively with other Retaining Shareholders (who individually hold less than 7.5% but collectively hold more than 7.5% of the VRL Shares on issue) will have the right to require BidCo to directly acquire all of the VRL Shares not held by BidCo in exchange for the Restructure Consideration; or

ii. **BidCo option**: 9 months, and ends on the date that is 12 months, following the Structure B Implementation Date, BidCo will be entitled to require all Retaining Shareholders to sell all of their VRL Shares in exchange for the Restructure Consideration.

In respect of the Restructure Event, the Retaining Shareholder may elect to receive the Restructure Consideration as follows:

- the Structure B Cash Consideration less $0.10 per VRL Share for a maximum of 50% of the VRL Shares held by the Retaining Shareholder and one HoldCo Share for each of the remaining VRL Shares held by the Retaining Shareholder; or
- one HoldCo Share for each VRL Share held by the Retaining Shareholder,

immediately prior to the Restructure Event Completion.

BidCo is not required to issue HoldCo Shares pursuant to the Restructure Event where it would be required to issue a disclosure document (such as a prospectus) or it would be unlawful to issue the HoldCo Shares in the jurisdiction in which the Retaining Shareholder is a resident in or otherwise has a nexus with. In these circumstances BGH may instead determine to pay cash consideration equal to the Structure B Cash Consideration less $0.10 per VRL Share.

If a Restructure Event is triggered, instead of BidCo acquiring all of the VRL Shares held by a Retaining Shareholder, a Retaining Shareholder will have the option of requiring BidCo to directly acquire all of the share capital of an Eligible Holding Company in exchange for the Restructure Consideration.

An Eligible Holding Company must meet the following criteria in order for BidCo to be required to acquire the Eligible Holding Company pursuant to the Restructure Event:

- the Eligible Holding Company must be an Australian incorporated company that has, and will have at the Restructure Event Completion, less than 10 shareholders;
- the HC Group must not have an interest, or hold any securities, in any trust or company other than VRL and subsidiaries that are wholly owned by the Eligible Holding Company or its subsidiaries;
- no member of the HC Group may hold any assets on trust for any other party; and
- no member of the HC Group may hold any assets (other than the VRL Shares), be subject to any outstanding or contingent liabilities, employ any employees or carry on any business or activity (other than owning the VRL Shares) from the Restructure Event Completion.

The Retaining Shareholder nominating that its Eligible Holding Company be acquired must:

- provide all due diligence information relating to the HC Group as is reasonably requested by BidCo; and
- provide in favour of BidCo warranties and indemnities to allow BidCo to recover any liabilities relating to an act or omission undertaken by the HC Group prior to the Restructure Event Completion (supported by guarantees that are acceptable to BidCo, acting reasonably).

Completion of the Restructure Event is subject to BidCo obtaining FIRB approval for the Restructure Event. On Restructure Event Completion each Retaining Shareholder (or the owners of the Eligible Holding Company being transferred) must enter into a shareholders agreement in respect of HoldCo that is substantially on the same terms as the Structure B Shareholders Agreement but making such amendments as BidCo (acting reasonably) considers are necessary.

8.3 Potential uplifts for the Structure B Cash Consideration

The Structure B Cash Consideration comprises of a base amount of $2.10 per Structure B Scheme Share, with certain additional amounts of cash consideration payable where certain circumstances are met. There is no guarantee that Structure B Scheme Shareholders will be entitled to any additional amounts of cash consideration above the $2.10 per Structure B Scheme Share. Further, these additional amounts are only paid in respect of Structure B Scheme Shares that receive Structure B Cash Consideration and not in respect of any Retained Shares.

The amounts and circumstances in which additional amounts of cash consideration are payable to the Structure B Shareholders are the same as those described in Section 7.3.

In light of the conclusions reached by the IBC in Section 2.7(c), it is expected that the Structure B Scheme Shareholders receiving Structure B Cash Consideration may receive either $2.10 or $2.22 per Structure B Scheme Share. The table below sets out the potential expected outcomes in respect of the Structure B Cash Consideration if the Structure B Scheme becomes Effective depending on whether or not the Theme Parks Uplift Event is met. Given the IBC's conclusion set out in Section 2.7(c) that it is highly improbable that the requirements of the Cinema Uplift Event would be met and that it is unlikely that the requirements of the Border Uplift Event would be met, the additional cash consideration associated with the Cinema Uplift Event or Border Uplift Event have not been included in the table below.

Uplift condition(s) met	Uplift condition(s) not met	Structure B Cash Consideration payable per Structure B Scheme Share
None	Cinema Uplift Event Theme Parks Uplift Event Border Uplift Event	$2.10
Theme Parks Uplift Event	Cinema Uplift Event Border Uplift Event	$2.22

Please see Section 2.7(c) for the status of each of these potential uplift events as at the Last Practicable Date.

8.4 Rights and liabilities attaching to Retained VRL Shares

A summary of the key rights and liabilities attaching to VRL Shares post-implementation of the Structure B Scheme is set out below. This summary is not exhaustive and should be read subject to the full terms of the VRL Shareholders' Deed. VRL Shareholders may request that a copy of the VRL Shareholders' Deed be sent to them either in hard copy or electronically by contacting the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time).

VRL Shareholders who make an Election under the Structure B Scheme to retain all of their VRL Shares will, if that Scheme is implemented, become parties to the VRL Shareholders' Deed. This will occur by force of the Structure B Scheme, without the need for any action on their part.

In this Section, a reference to a Retaining Shareholder also extends to any Permitted Transferee of a Retaining Shareholder (that is, a reference to a Retaining Shareholder in this Section is a reference to a 'Participating Shareholder' under the VRL Shareholders' Deed).

Section 9.4 sets out the material risk factors which are known to BidCo as at the date of this Scheme Booklet that will be applicable to VRL Shareholders that elect to retain Retained Shares at implementation of the Structure B Scheme. VRL Shareholders should carefully consider Section 9.4 before making an Election.

a. Voting rights

Each VRL Share will be entitled to one vote at a meeting of shareholders.

b. Dividends

Each VRL Share will have the same economic rights to dividends and distributions from VRL.

The declaration or payment of any dividend or other distribution is to be approved by the VRL board of directors. Under the VRL Shareholders' Deed, no dividends will be payable in respect of any period prior to the second anniversary of the Implementation Date, except with the approval of the BGH Directors.

The VRL Board will adopt a dividend policy of declaring a dividend for each financial year commencing after the second anniversary of the Implementation Date of up to 100% of the net profit after tax, subject to:

- the VRL Board forming the view that declaring a dividend will not result in a breach of requirements under, give rise to a review event under or cause any other materially adverse circumstances in respect of any financing arrangements to which a VRL Group member is a party from time to time;
- VRL Group having paid all amounts accrued prior to the dividend in respect of any interest (including interest that has accrued under "payment in kind" arrangements) payable under the BGH Second Ranking Secured Loan; and
- the net debt divided by earnings before interest, tax, depreciation and amortisation of the VRL Group is at the time of declaring the dividend, and is expected by the Board to continue to remain, for a period of 6 months after the payment of the dividend, below 3.0 times.

c. Appointment of directors and chairman

The VRL Board must be constituted by a minimum of three directors.

The BGH Shareholder(s) will have the right to appoint, remove and replace three directors to the VRL Board (each a **BGH Director**).

Robert Kirby and Graham Burke will remain as directors of VRL from implementation of the Structure B Scheme (if applicable) and, together with Clark Kirby, will be the initial Participating Directors. Retaining Shareholders that together hold 75% or more of the VRL Shares not held by the BGH Shareholder(s) or its affiliates (with these Retaining Shareholders being clearly identified in the written notice removing and replacing the Participating Director(s)) may remove and replace each Participating Director, provided that the BGH Shareholder(s) consents to the identity of any new Participating Director.

Robert Kirby will serve as the initial executive chairperson and Graham Burke will serve as the initial co-chairperson. If Robert Kirby or Graham Burke ceases to be a director of HoldCo, the chairperson or co-chairperson (as applicable) will be appointed by the Board from time to time. Graham Burke will be entitled to be the co-chairperson for a period of 3 years from the Implementation Date. After such time the BGH Shareholder(s) may decide to eliminate that title or appoint another member of the VRL Board as co-chairperson.

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d. Board decision making

Two directors will be required to form a quorum for a VRL Board meeting, which must include a BGH Director (for so long as at least one BGH Director holds office) and a Participating Director (for so long as at least one Participating Director holds office).

BGH Directors together will be entitled to that number of votes which is equal to the number of votes capable of being cast in respect of VRL Shares held by the BGH Shareholder(s).

For as long as the initial Participating Directors all remain as Participating Directors, the Participating Directors will be entitled to the number of votes capable of being cast in respect of VRL Shares held by the Participating Shareholders who have notified VRL in writing that they want to be represented by those Participating Directors. In all other circumstances the Participating Directors will be entitled to the number of votes equal to the number of VRL Shares held by the Retaining Shareholders that have appointed a Participating Director pursuant to the most recent written notice replacing a Participating Director.

Subject to applicable law and the terms of VRL Shareholders' Deed, and except for the Reserved Matters and other matters which are expressed to require Special Majority Approval in the VRL Shareholders' Deed, all actions or resolutions of the VRL Board will be made by the affirmative vote of a simple majority of directors (being directors that together hold more than 50% of the total voting rights of all directors who attend the relevant Board meeting or sign the relevant written resolution, as the case may be, and who are entitled to vote on the relevant resolution).

Reserved Matters require Special Majority Approval, requiring the affirmative vote of directors who together represent more than an applicable threshold of the percentage of total voting rights of all directors who attend the relevant Board meeting or sign the relevant written resolution, as the case may be, and who are entitled to vote on the relevant resolution. The applicable threshold for Special Majority Approval is determined having regard to the percentage of VRL Shares held by:

- for as long as all of the initial Participating Directors remain in office, the Participating Shareholders who have notified VRL in writing that they want to be represented by the initial Participating Directors; and
- in all other circumstances, Retaining Shareholders that have appointed a Participating Director pursuant to the most recent written notice replacing a Participating Director,

such that where these Retaining Shareholders collectively hold:

- more than 20% of the VRL Shares, the applicable threshold will be 80%;
- between 10% and 20% of the VRL Shares, the applicable threshold will be 90%; and
- less than 10% of the VRL Shares, the applicable threshold will be 50%.

The Reserved Matters are set out in Schedule 3 of the VRL Shareholders' Deed, and include:

- (**executive Director terms**): remove, or materially vary the terms of engagement of, the initial executive chairperson, co-chairperson and CEO, except in certain circumstances for cause or underperformance of the VRL Group;
- (**budget and business plan**): adoption of, and any material variations to, the budget or business plan, other than adoption of the initial budget or business plan;
- (**disposal of theme park business**): divestment of all or a material part of the HoldCo Group's theme park business prior to the fifth anniversary of Implementation, other than as otherwise permitted under the VRL Shareholders' Deed;
- (**capital reduction**): materially alter VRL's capital, whether by buy-back, capital reduction or otherwise, other than as otherwise permitted under the VRL Shareholders' Deed;
- (**variation of rights**): the variation of rights attaching to any securities of VRL;
- (**equity raisings**): any equity raising by the VRL Group involving the issue of Shares, other than:
  - pursuant to any emergency funding (see below);
  - for capital expenditure in connection with specific developments set out in the VRL Shareholders' Deed, provided VRL **has** first pursued in good faith debt funding for those projects;
  - raisings that in aggregate account for no more than 10% of the equity value of VRL as calculated at implementation of the Structure B Scheme;
  - to fund the cash consideration payable under the Restructure Event (provided that BidCo has not already raised funds prior to the Implementation Date to acquire the VRL Shares that became Retained Shares); or
  - as otherwise provided for in the VRL Shareholders' Deed.
- (**dividends**) declare, make or pay a dividend, other than dividends in accordance with the VRL Shareholders' Deed;
- (**change in the nature of business**) materially alter the nature of the operations of the business of the VRL Group;
- (**IPO**) undertaking an IPO, except as provided for in the VRL Shareholders' Deed; and
- (**Operational Professional**) appointment and terms of engagement of an operational professional, except as provided for in the VRL Shareholders' Deed.

e. Further capital raising

BidCo and Substantial Shareholders will have a pre-emptive right to participate in any new equity raising pro rata to their shareholding in VRL, except in certain circumstances specified in the VRL Shareholders' Deed.

Equity raisings must not be conducted at a discount to the latest quarterly valuation for VRL prepared by BGH and circulated by BGH to its investors in its quarterly report, except for emergency equity raisings. Emergency equity raisings may be conducted at a discount of up to 20% to the latest quarterly valuation for VRL prepared by BGH.

f. Restrictions on transfer

Retaining Shareholders are not permitted to deal with their VRL Shares except:

- Substantial Shareholders may transfer to a Permitted Transferee (being a related entity of the Other Shareholder); or
- in accordance with the exit mechanism outlined in Section 8.4(h) below.

If a transferee ceases to be a Permitted Transferee, they must transfer back their holding of the VRL Shares to the original transferor or a Permitted Transferee.

The BGH Shareholder(s) may dispose of any of its VRL Shares at any time after the third anniversary of the Implementation Date.

g. Restructure Event

The VRL Shareholders' Deed contains the rights and obligations relating to the Restructure Event, which are summarised in Section 8.2(e) and set out in full in the VRL Shareholders' Deed.

h. Exit arrangements

Drag Along Rights

If VRL Shareholders (which must include the BGH Shareholder(s)) that hold more than 50% of the VRL Shares (**Exiting Shareholders**) on issue wish to sell (including by way of IPO or under an arm's length bona fide offer under which the consideration is cash or securities) more than 50% of the VRL Shares held by all VRL Shareholders, they may require Retaining Shareholders, other than Continue-On Investors, to sell the same proportion of their HoldCo Shares to the third party on terms no less favourable than the terms offered by the third party to the Exiting Shareholders.

A Continue-On Investor is a Retaining Shareholder that satisfies both of the following:

- immediately following Implementation of the Structure B Scheme, the Retaining Shareholder held more than 15% of the VRL shares; and
- at the time the Exiting Shareholder proposes to dispose of their VRL Shares, the Retaining Shareholder holds more than 7.5% of the VRL Shares.

Tag Along Rights

If VRL Shareholders that hold more than 50% of the VRL Shares on issue (**Selling Shareholders**) wish to sell more than 50% of the VRL Shares held by all VRL Shareholders, the remaining VRL Shareholders must be invited to sell the same proportion of their VRL Shares to the third party on terms no less favourable than the terms offered by the third party to the Selling Shareholders, subject to certain exceptions set out in the VRL Shareholders Deed.

IPO

Exiting Shareholders may request that the VRL pursue an IPO. This request to pursue an IPO may be made at any time following the fifth anniversary of the Implementation Date or earlier if certain qualifying circumstances (relating to certain specific developments having been completed and other specific developments being well advanced, such that the value of these developments are reasonably expected to be substantially captured in the valuation achieved on an IPO) and Special Majority Approval of the VRL Board is obtained. Substantial Shareholders who have notified VRL in writing that they want to be represented by the Participating Directors may, subject to certain criteria, also recover reasonable out-of-pocket costs (in respect of third party advisers) incurred to the extent are directly related to the IPO or Exit.

The Exiting Shareholders must invite and may require that each Retaining Shareholder, other than a Continue-On Investor, sell the same proportion of their VRL Shares pursuant to the IPO as the Exiting Shareholders.

On an IPO, VRL Shareholders that following the IPO together hold more than 10% of the shares in VRL or a new holding company used for the purpose of an IPO will have the right to appoint one director.

Other Exit

VRL Shareholders (which must include the BGH Shareholder(s)) that hold more than 50% of the VRL Shares may request that VRL pursue an Exit (broadly comprising of a sale of VRL Shares held by the Exiting Shareholders, sale of substantially all of the VRL Group's assets or other similar transaction). This request to pursue an Exit may be made at any time following the sixth anniversary of the Implementation Date.

On an Exit occurring, Continue-On Investors that do not exercise their tag along rights or are not subject to the drag along regime (each described above) may require certain rights be secured with the acquirer that vary depending on whether the acquirer is a financial sponsor or other type of acquirer, as set out in set out in the VRL Shareholders' Deed.

Small VRL Shareholders

At any time after the first anniversary of the Implementation Date, the VRL Board may require a Retaining Shareholder holding a parcel of VRL Shares which had an aggregate issue price (determined at the time of issue) of $10,000 or less to dispose of its VRL Shares. These "Small Shareholders" will receive value for their VRL Shares equal to the latest valuation for VRL prepared by BGH.

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i. Compulsory acquisition

If a Retaining Shareholder experiences an insolvency event, or is in material breach of the VRL Shareholders' Deed, or if a Participating Shareholder experiences a change of control (without the consent of the BGH Shareholders, exercised in their sole discretion) that VRL Shareholder must offer its VRL Shares for transfer to the other VRL Shareholders at fair market value (taking into consideration applicable minority ownership and illiquidity of such defaulting shares and must not be discounted by more than 10%).

j. Variations to the VRL Shareholders' Deed

The VRL Shareholders' Deed may be varied if it is in writing and signed by the BGH Shareholder(s) and Retaining Shareholders holding in aggregate not less than two thirds of the total Shares held by the Retaining Shareholders, provided the Retaining Shareholders collectively hold more than 10% of the Shares. The Board of VRL or the BGH Shareholder(s) may also vary the Structure B Shareholders Deed provided the proposed variation is determined not to cause any material adverse impact on the rights of a Retaining Shareholder, be necessary to comply with applicable laws or be necessary or desirable to accommodate the terms of a management equity incentive plan.

k. Nominee arrangements

VRL may require that a Retaining Shareholder transfer legal title in their VRL Shares to the Nominee for those VRL Shares to be held on bare trust for the relevant VRL Shareholder pursuant to the terms of the Nominee Deed. The intention of the arrangements with the Nominee is to ensure that the voting, economic and other interests of the Retaining Shareholders are unaffected by the VRL Shares being held by the Nominee.

The key terms of the nominee arrangements under the Nominee Deed and the VRL Shareholders' Deed are as follows:

- The Retaining Shareholder will be beneficial holders in relation to shares held by the Nominee as bare trustee on their behalf.
- Each Retaining Shareholder will be able to instruct the Nominee to exercise voting rights or take other steps as the registered holder of shares on its behalf.
- VRL will procure that any distribution or dividend that would otherwise be paid to the Nominee will instead be paid to the relevant beneficial holder in proportion to the number of shares that are held on trust for the beneficial holder.
- VRL will give, make available or despatch all notices or information it circulates to shareholders to beneficial holders as well as the Nominee.
- Each Retaining Shareholder who is a beneficial holder under the Nominee Deed must not (without the consent of the VRL board) direct the Nominee to transfer legal title to the VRL Shares held on trust for that Retaining Shareholder back to the Retaining Shareholder.
- The restrictions on transfer of VRL Shares set out in the VRL Shareholders' Deed apply to the Retaining Shareholders that are beneficial holders. However, a beneficial holder may transfer shares to a Permitted Transferee on the basis that the Nominee is directed to hold legal title to the relevant shares as bare trustee on behalf of the transferee.

The above nominee arrangement is subject to the Retaining Shareholders providing any required "Know Your Customer" information to VRL or the Nominee, in the absence of which their VRL Shares will still be transferred to the Nominee but will instead be held on trust by the Nominee for a wholly owned subsidiary of VRL, who will in turn hold those VRL Shares on bare trust for the relevant Retaining Shareholder on substantially the same terms as the Nominee Deed for a period of time (during which the relevant VRL Shareholder must provide the "Know Your Customer" information to VRL or the Nominee). Under this arrangement, the Nominee would still be the registered legal holder of their VRL Shares and the relevant Retaining Shareholder would still remain the ultimate beneficial holder of those VRL Shares. A copy of the Nominee Deed is attached at Schedule 5 to the VRL Shareholders' Deed.

Consistently with ASIC Instrument 2020/734, the Structure B Shareholders' Deed contains provisions whereby if, after implementation of the Structure B Scheme, VRL subsequently changes its type to a proprietary company and at the time of the change has more than 50 non-employee beneficial shareholders (including those holding through the Nominee), with effect from the conversion, the arrangements with the Nominee must be terminated and the beneficial owners must become registered holders of the VRL Shares. These requirements can only be waived or varied by a special resolution (representing 75% or more of the votes cast) of those beneficial shareholders in VRL for whom VRL Shares are being held under the bare trust arrangements with the Nominee.

8.5 Conditions to the Structure B Scheme

Implementation of the Structure B Scheme is subject to the Conditions outlined at Section 2.9(b). The Structure B Scheme will not proceed unless all of the Conditions to the Structure B Scheme are satisfied or waived (as applicable) in accordance with the Implementation Agreement.

8.6 Termination rights

VRL and BidCo are entitled to terminate the Implementation Agreement in certain circumstances, as set out in Section 7.6.

8.7 Status of Conditions and termination rights

As at the date of this Scheme Booklet, BidCo is not aware of any circumstances which would cause any Condition not to be satisfied or any termination right to be enlivened.

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9 RISK FACTORS

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9. RISK FACTORS

9.1 Introduction

In considering Each Alternative Scheme, you should be aware that there are a number of general and specific risk factors associated with your current investment in VRL Shares and with Either Alternative Scheme. This Section 9 outlines:

- specific risk factors that the COVID-19 pandemic pose to the business and operations of VRL and therefore to the value of your current investment in VRL Shares (see Section 9.2);
- other (non-COVID-19 pandemic related) general and specific risk factors relating to the business and operations of VRL and which in turn affect the value of your current investment in VRL Shares (see Section 9.3);
- risk factors relating to HoldCo Shares and the Retained VRL Shares (see Section 9.4); and
- risk factors which may prevent Either Alternative Scheme from becoming Effective or being implemented (see Section 9.5).

If Either Alternative Scheme is implemented, the risks in Sections 9.2, 9.3 and 9.4 will not apply to VRL Shareholders who receive their Scheme Consideration in cash only. The risk factors in Sections 9.2, 9.3 and 9.4 will apply to VRL Shareholders who elect to receive HoldCo Shares (under the Structure A Scheme) or who elect to retain all of the VRL Shares (under the Structure B Scheme). The risk factors described in Sections 9.3 to 9.5 inclusive should be read as being heightened by the further risk factors associated with the COVID-19 pandemic set out in Section 9.2 for as long as that pandemic lasts. It is currently unclear how or when the COVID-19 pandemic will resolve, and therefore the risk factors set out in Sections 9.3 and 9.4 may continue to be subject to the additional risk factors resulting from the COVID-19 pandemic in the medium term to long term.

The outline of risks in this Section 9 is a summary only and should not be considered exhaustive. This Section 9 does not purport to list every risk that may be associated with an investment in VRL now or in the future which may prevent Either Alternative Scheme from becoming Effective or being implemented. The occurrence or consequences of some of the risks described in a Section 9 may be partially or completely outside the control of the VRL Group, the BidCo group or their respective directors and senior management teams.

These risk factors do not take into account the individual investment objectives, financial situation or positional particular needs of VRL shareholders. Before making any election for either HoldCo Shares (under the Structure A Scheme) or to retain all your VRL Shares (under the Structure B Scheme), you should have a sufficient understanding of these matters having regard to your own individual risk profile, portfolio strategy, investment objectives, financial circumstances and taxation position. If you do not understand any part of this Scheme Booklet or are in any doubt as to how to vote in relation to Either Alternative Scheme, you should seek professional guidance from your stockbroker, solicitor, accountant tax advisor or other independent and qualified professional adviser before deciding how to vote.

You should consider carefully the risk factors discussed in Section 9, as well as the other information contained in this Scheme Booklet before voting on Either Alternative Scheme.

9.2 COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared COVID-19 to have reached pandemic status. The Australian federal government then took steps to restrict entries to Australia and Australian state governments then proceeded to declare states of emergency and implement social distancing measures and restrictions to limit the spread of COVID-19.

It is uncertain how much longer and to what extent COVID-19 will continue to impact the VRL Group, given the range of unknown factors such as further COVID-19 lockdown periods, cross-border closures, social distancing restrictions and the status of a vaccine.

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a. Short term risk factors for the VRL Group arising from COVID-19

In the short term, the COVID-19 pandemic, as well as government and market responses to the pandemic have had a significant adverse impact on the VRL Group's businesses. Specifically, the short term impacts of the COVID-19 pandemic have included or could potentially include the following risks.

Closure of cinemas and theme parks	The VRL Group experienced severe disruption to its businesses as a result of the COVID-19 pandemic. In March 2020, at the beginning of the COVID-19 pandemic, VRL Group's cinemas and theme parks were closed due to restrictions imposed to limit the spread of COVID-19. These closures had a significant adverse impact on the VRL Group's financial position and performance. The COVID-19 pandemic also compelled the VRL Group to implement a number of measures to conserve capital and maintain operating liquidity (including working with landlords and other suppliers to substantially reduce operating expenditure and deferring non-essential capital expenditure and standing down all employees not performing essential tasks). The COVID-19 pandemic continues to impact the VRL Group with border restrictions impacting travel (both domestic and international) as well social distancing measures being put in place on the phased re-opening of its businesses. Other than in relation to Victoria and border closures, the restrictions implemented around Australia have gradually been reduced since May 2020. However, it has been seen from the experience in Victoria that restrictions and social distancing measures can be reintroduced where COVID-19 outbreaks occur. The severity of restrictions, the extent of the negative impact of restrictions, as well as the frequency and severity of restrictions are difficult to predict but it is clear that the COVID-19 pandemic has the ability to result in repeated or extended shutdowns of businesses in Australia. To the extent that these shutdowns occur, they will likely affect VRL Group's Cinema Exhibition and Theme Park businesses, and these closures would have a significant adverse impact on the financial performance of VRL.
Restricted ability to operate at full capacity and reduced trading levels	In the scenario where the VRL Group's cinemas and theme parks are open, while social distancing restrictions are imposed (both in Australia and elsewhere) there is a possibility that the cinemas and theme parks will not be able to operate at full capacity. The implementation of management plans to prevent or reduce the spread of COVID-19 may mean that cinemas and theme parks can only operate at a fraction of their full capacity in the absence of such restrictions. The COVID-19 pandemic also resulted in the release of new movies for cinema exhibition either being delayed or released straight to subscription video on demand/streaming services and other digital channels. This is likely to result in an adverse impact to trading levels at cinemas in the short term.
Decreased ability to complete new developments	Any restrictions (either in Australia or elsewhere) may limit the ability of the VRL Group to achieve completion of projects involving the development of either new cinema sites, theme parks or new film production opportunities. These difficulties may arise from contractors not being able to work at full capacity (due to governmental restrictions or workforce illness), or changed priorities to redirect and/or conserve capital and maintain operating liquidity. These difficulties may result in delays in delivering development projects, development projects running over budget or postponing or ultimately abandonment of development plans by the VRL Group.
Inability to access equity capital markets or otherwise access new capital	Economic downturn, market volatility and a more adverse operating environment for the VRL Group may decrease the willingness of investors to invest further or new capital into the VRL Group. This may, in turn, restrict the ability of the VRL Group to operate in the context of the COVID-19 pandemic. Additional capital must be raised to meet the requirements of the VRL Group. This may have to be raised at a time when there is restricted capacity to raise capital due to the current economic climate. For further details, refer to the Financial Risk Management risk at Section 9.3.
Reductions in the trading price of VRL Shares	Decreased investor confidence due to the effects of the COVID-19 pandemic may lead to increased volatility on the ASX and resultant reductions in the trading price of VRL Shares.

b. Medium to long term risk factors for the VRL Group arising from COVID-19

In the medium to longer term, the direct effects of COVID-19 and measures introduced by the Australian federal and state governments to limit the spread of COVID-19 (particularly closures of certain types of businesses, which have included VRL Group's cinemas and theme parks, to maintain social distancing) will likely have a material negative impact on Australia's economic growth, including the potential for further significant impacts on capital markets, share prices and the availability of finance.

The unpredictable nature of operating in a COVID-19 environment and the maintenance or reintroduction of the above mentioned restrictions may mean that some of the short term risk factors described above in this Section may continue to be risk factors in the medium to long term due to the unpredictable nature of how the COVID-19 pandemic will play out.

In addition, the risks relating to COVID-19 will potentially apply to future pandemics that are unrelated to COVID-19 but have a similar impact on VRL Group's businesses.

9.3 Risk factors relating to the business and operations of VRL

This Section outlines some general and specific investment risks relating to your current investment in the VRL Group, pre-dating and unrelated to the COVID-19 pandemic. These risk factors will continue to apply to VRL Shareholders who elect to receive HoldCo Shares (under the Structure A Scheme) or who elect to retain all of the VRL Shares (under the Structure B Scheme). These risk factors will also apply to all VRL Shareholders if neither the Structure A Scheme nor the Structure B Scheme is implemented.

In considering Each Alternative Scheme, VRL Shareholders should be aware of these general and specific risks as they could materially and adversely affect the future operating and financial performance, and value, of the VRL Group.

The future operating performance of VRL and the value of an investment in VRL Shares may be affected by risks relating to VRL's business. Some of these risks are specific to VRL while others relate to economic conditions and the general industry and markets in which VRL operates.

Where practicable, VRL seeks to implement risk mitigation strategies to minimise its exposure to some of the risks outlined below. However, there can be no assurance that such strategies will protect VRL from these risks. Other risks are beyond VRL's control and cannot be mitigated. The occurrence of any such risks could adversely affect VRL's financial position and performance and the value of VRL Shares. The risks listed below are summaries, do not purport to be exhaustive and are not presented in any order of importance. Further, there is no assurance that the importance of different risks will not change or other risks will not emerge.

You should carefully consider the risks outlined in this Section as well as the other information contained in this Scheme Booklet, before making an Election with respect to, and before voting on, Either Alternative Scheme.

General risks associated with your investment in the VRL Group

The market price of VRL Shares may be influenced by a number of factors, including:

a. changes in investor sentiment and overall performance of the Australian securities market;

b. changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, employment, credit markets, consumer confidence and demand, housing prices and turnover and other industry specific factors;

c. changes in government fiscal, monetary, taxation, employment and regulatory policies;

d. changes in laws and regulations including accounting and financial reporting standards;

e. government intervention in export and import markets, including sanction controls and import duties; and

f. weather conditions, natural disasters, pandemics generally, terrorism and international conflicts.

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Specific risks associated with your investment in the VRL Group

Changes in industry and consumer choice

Economic conditions

VRL's diverse portfolio of entertainment assets compete directly with all other types or recreational facilities and forms of entertainment within their markets. Accordingly, VRL's Theme Parks and Cinema Exhibition businesses will continue to be subject to factors impacting the recreation and leisure time industries generally, including general economic conditions and changes in discretionary consumer spending habits.

Content produced and / or acquired may perform poorly

VRL's Film Distribution business is reliant on the quality of film product available. The acquisition of film rights and distribution of films is a highly speculative business. As expenditure on promotion and distribution must be committed before it is known whether a film will be a commercial success, the revenues derived from a film do not necessarily correlate to the costs incurred. VRL has sought to mitigate this risk in film distribution by long term supply contracts with major suppliers, including Warner Bros.[17], and in Cinema Exhibition with differentiated offerings (e.g. Gold Class, Vjunior) and alternative content and uses.

Decline in physical (DVD/Blu Ray) home entertainment market

The media through which people receive entertainment content is ever-changing, with increased digitalisation and portability being key focuses for many consumers. As a result the physical home entertainment market is declining due to a shift in user preference towards the digital delivery of content. Although the appeal of the VRL Group's 'out-of-home' entertainment experiences appear to have reduced the extent and impact of this issue, there is still an adverse impact on Film Distribution's earnings due to decline in the sale of physical DVDs and Blu Ray discs.

Piracy

The ongoing issue of film piracy poses a challenge to the Group's Cinema Exhibition and Film Distribution businesses, and the VRL Group is actively working with other industry participants to reduce the severity of this risk – legislative changes in Australia were implemented in 2015 and amended in 2018, which have resulted in a significant number of websites being blocked.

Competition

The commercial success of a film depends on the quality and acceptance of other competing films released into the marketplace at or near the same time.

In most markets in which VRL operates or intends to commence operations, the film exhibition industry is highly competitive, particularly with respect to attracting patrons and finding new theatre sites. Although VRL attempts to maintain the quality of its existing cinemas at a competitive level and develop cinemas in geographic areas that it believes have the potential to generate sufficient box office attendance and revenues, adverse economic conditions, over which VRL has no control, could have a material adverse effect on box office or concessions revenues and attendance at VRL cinemas.

Structural changes within the film industry

Any change or shortening of film release schedules / windows by film studios may adversely impact revenue earned by VRL's Cinema Exhibition business. Digital pure play operators like Netflix, Disney+ and Amazon Prime are investing aggressively on rights to feature length films and major film studios may elect to provide consumers with timely digital versions or their films directly through these platforms.

Alternative film exhibition delivery systems have been developed for the exhibition of filmed entertainment, including pure play digital operators and subscription video on demand platforms. VRL's Cinema Exhibition operations are also subject to competition from other forms of entertainment competing for the public's leisure time and disposable income.

Film acquisition and product availability

VRL's Cinema Exhibition operations are dependent both on the availability of suitable films for exhibition in its theatres and the performance of such films. Deteriorating relationships with distributors, sustained poor performance of films or prolonged disruption in the production of films by the major studios and/ or independent producers could have an adverse impact on VRL's Cinema Exhibition business.

Film production volatility

Film production (quantity and quality) is an inherently volatile business, which could impact the Cinema Exhibition and Film Distribution businesses.

17 VRL's contract for theatrical distribution with Warner Bros. ends on 31 December 2020. Please refer to VRL's ASX announcement on 21 September 2020.

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Importance of relationships with business partners	Cinema Exhibition, Film Distribution and Theme Parks operations are partially dependent upon its relationships with its business partners. Although VRL believes its relations with its key partners are generally good, if any of these relationships were to deteriorate, it may have an adverse impact on the VRL Group. Significant partners include Warner Bros., Event Cinemas and Topgolf.
Financial Risk Management	VRL's principal financial instruments comprise receivables, payables, cash and term deposits. These instruments expose VRL to a variety of financial risks including market risks relating to interest rates, credit, liquidity and price risk. Risk management programmes and policies are employed to mitigate the potential adverse effects of these exposures on the results of VRL. Specifically, the management team of VRL manages the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate risk and by being aware of market forecasts for interest rate and foreign exchange rates. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through general business budgets and forecasts. The directors of VRL also review on a regular basis the current and potential sources of funding, cash flow and operating/capital expenditure forecasts, and VRL's investment profile, to manage market, credit, liquidity and price risk. **Foreign exchange risk** Foreign currency risk is the risk of exposure to transactions that are denominated in a currency other than the Australian dollar. VRL is subject to adverse foreign exchange rate movements which may have an adverse impact on VRL's future financial performance (e.g., reduce reported revenue, profitability, cash flows and financial position). To comply with Australian reporting requirements, the income, expenditure and cash flows of VRL need to be accounted for in Australian dollars. This results in the income, expenditure and cash flows of the VRL Group being exposed to the fluctuations and volatility of the rate of exchange between other currencies and the Australian dollar, as determined in international markets. VRL through its Marketing Solutions business (which generates sales in a number of currencies) is exposed to additional currencies and a proportion of its financial earnings and position are affected by exchange rate movements. **Interest rate risk** Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The nature of VRL's financing arrangements exposes VRL to interest rate risk, including from the movement in underlying interest rates, which impacts on VRL's cost of funding and may adversely impact VRL's financial performance. VRL partly hedges its interest rate exposure between 35% to 60% of total borrowings. **Credit risk** Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and trade receivables. For banks and financial institutions, only major Australian and international banking institutions are used. For customers, individual risk limits are set based on internal or external ratings in accordance with limits. The maximum exposure to credit risk at the reporting date is the carrying amount of VRL's financial assets. VRL does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by VRL and cash assets are held with large Australian or international banks. **Liquidity risk** Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. VRL manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. VRL currently has a significant degree of liquidity risk, the detrimental impact of COVID-19 on VRL's cash flows has resulted in a material increase of indebtedness and as a result VRL has had to seek an increase in its debt facilities as announced to the market on 6 August 2020. If a funding shortfall materialises, VRL may need to raise substantial additional short term or long term debt or equity. As announced to ASX on 6 August 2020, as part of securing the new financing facilities, VRL has given an undertaking to its existing financiers to raise a minimum of $35 million through new shareholder equity or equity like instruments. This must be completed by the earlier of VRL's half year announcement (in February 2021) or three months after the termination of the Proposed Transactions. The Independent Directors believe that a successful equity raising would ultimately have to solve for the long term capital structure of the VRL Group as a public company. With this in mind, if the VRL Group remained publicly listed, any equity raising will need to solve for an appropriately strong balance sheet. The Independent Directors believe the quantum of this equity raising could potentially be substantially higher than $35 million.

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Financial Risk Management (continued)	VRL's capacity to secure the requisite level of funding will depend on the amount of funding required, the performance and future prospects of its business and a number of other factors, interest rates, economic conditions, debt market conditions and equity market condition prevailing at that time. There is no assurance that the required funding (either via debt or equity) can be secured at all or on reasonable terms.
Risks with theme park operation	**Tourism** The success of VRL's theme parks operations are dependent on factors such as the type and quality of facilities and attractions, the state of the Australian tourism industry both domestically and internationally, the exchange rate for Australian dollars (which, among other things, impacts the level of foreign tourists), and reputation. Tourism can also be affected by multiple factors including COVID-19 restrictions or concerns, foreign currency exchange rates, severe weather, disease outbreaks and terrorism threats. **Adverse weather** As the great majority of the attractions at VRL's theme parks and resorts are outdoor activities, attendance at the parks and resorts and, accordingly, the contribution of theme park operations to the VRL Group's results are significantly affected by the weather. Extreme weather events can challenge admission levels at the VRL Group's theme parks businesses, with potential customers not travelling to such destinations when the weather is severe, such as floods or cyclones. The VRL Group's theme parks ticketing strategy seeks to partially address this risk by allowing tickets to be utilised when better weather returns. Furthermore, Wet'n'Wild Gold Coast and Las Vegas are primarily water parks, which, by their nature, are more sensitive to sustained periods and unfavourable timing (e.g. weekends and holidays) of inclement weather than are theme parks generally. **Serious injuries and/or fatalities** Any significant or sustained interruption to VRL's operations caused by incidents leading to serious injury and / or fatalities, even out of VRL's control, for example at a competitor's park, may adversely impact the reputation, earnings and profitability of Australian theme parks in general. The VRL Group takes its commitment to the safety of both its staff and its patrons at all of the Group's venues very seriously, primarily to ensure that a safe environment is always provided for patrons and staff, and as a secondary issue, to minimise any adverse legal or reputational consequences of any serious incidents. However, as demonstrated following the tragedy at Dreamworld in October 2016, the VRL Group can still be impacted by issues at non-VRL Group attractions. **Acceptance of pricing strategy** A risk exists that theme parks do not perform as expected under a new ticketing strategy that VRL has developed and is currently implementing. This may adversely affect the financial performance and prospects of VRL.
Litigation and legal disputes	VRL may be involved in disputes or litigation, including with customers or suppliers, industrial action or disputes involving VRL's executives and employees or former executives or employees. If VRL is involved in such litigation, disputes or protracted settlement negotiations, this may disrupt VRL's business operations, cause VRL to incur significant legal costs and may divert management's attention away from the day to day operations of the business.
Taxation	In addition to the corporate income taxation imposed on VRL, VRL is required to pay direct and indirect taxes and other imposts in the jurisdictions in which VRL operates. VRL may be affected by changes in government taxation policies or in the interpretation or application of such policies under Australian and overseas laws and the outcome of tax audits. The potential of VRL to obtain the benefit of existing taxation losses and claim other taxation attributes will depend on the completion of this transaction, future circumstances and may be affected by changes in ownership of VRL, business activities, thin capitalisation thresholds, taxation bases and any other conditions relating to the use of taxation losses or other attributes of VRL. The ability to use carried forward losses (if any) will depend on VRL's continued satisfaction of the loss recoupment tests under Australian taxation laws and be subject to the availability of sufficient future taxable profits.
Changes in government policy, regulation and accounting / taxation standards	The industry in which VRL operates is subject to extensive legislation, regulations and supervision by a number of federal and state regulatory organisations. Any future legislation and regulatory change may affect the industry and may adversely affect VRL's financial performance and position. Changes to accounting and taxation standards or the way that they are administered may adversely impact VRL's reported financial position or results of operation.

Additional requirements for capital	VRL will continue to require capital to finance its operations. VRL's precise capital requirements depend on numerous factors. Depending on VRL's ability to generate income from its operations, VRL may require further financing. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If VRL is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations, undertake further asset sales and scale back its expansion and development programmes as the case may be.
Key personnel	A number of key personnel are important to attaining the business goals of VRL. One or more of these key employees could leave their employment or cease to actively participate in the management of VRL and this may adversely affect the ability of VRL to conduct its business and, accordingly, affect its financial performance and its share price. There may be a limited number of persons with the requisite experience and skills to serve in VRL's senior management positions if existing management leave VRL. If VRL cannot attract, train and retain qualified managers, and other personnel, VRL may be unable to successfully manage its growth or otherwise compete effectively.
Lack of dividends	VRL pays dividends from free cash flow. VRL's free cash flow is determined by numerous factors, including but not limited to income from its operations, capital expenditure, taxation, interest and debt servicing obligations. VRL's debt financing places further restrictions on the payment of dividends. VRL may not be able to pay dividends or may be limited in the dividends it can pay in the future.
Development and subsequent operation	The building of either new cinema sites or theme parks, both in Australia and overseas, involves inherent risks to such development projects, including cost and time overruns, community distaste for a project, regulatory hurdles and various governmental requirements and permissions, and the subsequent operational performance of the new developments. However, due to the diversity and scale of the VRL Group's other businesses, any adverse impact on the VRL Group from any individual development or new operation, whether in Australia or elsewhere, is not expected to be significant, and the expertise and experience of the VRL Group in delivering and operating such projects mitigates this risk. It is noted that the VRL Group does not have any equity investments in its management contracts in Asia.
Other risks	Other areas of risk faced by the VRL Group include: • cyber risk; and • financial risks arising from fraud, and bad debts. The VRL Group has in place what it considers are appropriate policies and procedures to help manage these risks, and continually updates and develops those policies.

9.4 Risk factors relating to HoldCo Shares and Retained VRL Shares

This Section sets out the material risk factors which are known to BidCo as at the date of this Scheme Booklet that will be applicable to shareholders holding either HoldCo Shares or Retained Shares at implementation of Either Alternative Scheme.

While VRL Shareholders are already exposed to the risks set out in Sections 9.2 and 9.3 through their existing direct investment in VRL, VRL Shareholders who are considering making an Election to receive HoldCo Shares as Scheme Consideration under the Structure A Scheme or to retain Retained Shares under the Structure B Scheme should also bear in mind the risks associated with holding an investment in HoldCo Shares or retaining Retained Shares.

The risks that apply to an investment in HoldCo or VRL after implementation of the Either Alternative Scheme are materially different from, and in addition to, those that apply to your investment in VRL. These are impacted by the HoldCo Shareholders' Deed or the VRL Shareholders' Deed which binds (as the case may be) all holders of HoldCo Shares or Retained Shares, respectively.

The risks that apply to an investment in HoldCo or VRL following implementation of Either Alternative Scheme may, individually or in combination, have a material adverse effect on HoldCo's or VRL's (as applicable) future financial performance, financial position, cash flows, distributions or your ability to dispose of HoldCo Shares or Retained Shares (as applicable) if you wish to do so and, consequently, on the outcome of an investment in HoldCo or VRL and the value of your HoldCo Shares or Retained Shares (as applicable).

Each VRL Shareholder should carefully consider the risks that apply to an investment in HoldCo or retaining Retained Shares following implementation of Either Alternative Scheme in light of their personal circumstances and seek professional advice from their accountant, tax adviser, stockbroker, lawyer or other professional adviser before deciding whether to elect to receive HoldCo Shares or retain the Retained Shares.

If the risks that apply to an investment in HoldCo or VRL following implementation of Either Alternative Scheme conflict with a VRL Shareholders' individual risk profile, that VRL Shareholder should strongly consider not making an Election.

VRL Shareholders should note that this Section is not an exhaustive list of risks associated with an investment in HoldCo or retaining the Retained Shares. Further many of these risks are outside the control of the BidCo Group or the VRC Group and either cannot be mitigated or can only be partially mitigated.

VRL Shareholders should read the Scheme Booklet in its entirety and consider the risks contained within the entirety of Section 9 before deciding whether to elect to receive the HoldCo Shares as Scheme Consideration or retain the Retained Shares.

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a. Liquidity risk

HoldCo is, and will continue to be post implementation of the Structure A Scheme, an unlisted public company. VRL, post implementation of the Structure B Scheme, will be an unlisted public company. As such, there will be no public market for the trading of either HoldCo Shares or the Retained Shares post implementation of Either Alternative Scheme, nor is there expected to be any such market in the future. There are restrictions on the disposal of HoldCo Shares under the HoldCo Shareholders' Deed or Retained Shares under the VRL Shareholders' Deed that will restrict any prospective seller from trading in their HoldCo Shares or Retained Shares. This will result in HoldCo Shares or Retained Shares being substantially illiquid. This may also affect the value of HoldCo Shares or Retained Shares post implementation of Either Alternative Scheme as well as your ability to dispose them, either at all or in a timely manner.

As noted above, under both the HoldCo Shareholders' Deed and the VRL Shareholders' Deed, there are substantial restrictions on the ability to transfer the HoldCo Shares or Retained Shares.

b. Minority voting rights

The Structure A Scheme Shareholders who receive HoldCo Shares and the Structure B Scheme Shareholders that retain Retained Shares will represent a minority of the shareholders in HoldCo and VRL, respectively. In addition, the Structure A Scheme Shareholders who receive HoldCo Shares and the Structure B Scheme Shareholders that retain Retained Shares will have very limited voting rights or ability to influence the decision of the board of HoldCo or VRL (as applicable).

The BGH Shareholders will be able to exercise a majority voting power in, and will be in a position to determine the outcome of most decisions relating to, HoldCo or VRL (as applicable) and their subsidiaries more generally. An individual HoldCo Shareholder or group of HoldCo Shareholders, in the case of the Structure A Scheme, or an individual Retaining Shareholder or group of Retaining Shareholders, in the case of the Structure B Scheme, acting together (other than the BGH Shareholders and to a lesser extent, in the case of the Structure A Scheme, the Participating Shareholders and, in the case of the Structure B Scheme, the Substantial Shareholders), will not be able to affect those matters relating to HoldCo or VRL (as applicable).

The Structure A Scheme Shareholders who receive HoldCo Shares under the Structure A Scheme or the Retaining Shareholders under the Structure B Scheme will therefore, in most cases, be subject to the decisions made by the BGH Shareholders (and to a lesser extent, in the case of the Structure A Scheme, the Participating Shareholders and, in the case of the Structure B Scheme, the Substantial Shareholders).

c. Neither the ASX Listing Rules nor Australia's takeover regime will apply

As both HoldCo and VRL will each be an unlisted company with less than 50 shareholders post implementation of Either Alternative Scheme, neither the ASX Listing Rules nor Australia's takeover regime (among other provisions of the Corporations Act) will apply.

The effect of this change in structure means that investor protections currently available to Structure A Scheme Shareholders or Structure B Scheme Shareholders under the ASX Listing Rules and Chapter 6 of the Corporations Act will not apply to either Structure A Scheme Shareholders who receive HoldCo Shares or Retaining Shareholders who retain Retained Shares.

There is a risk that, because of the different regulatory regime that applies to an investment in HoldCo or VRL after Either Alternative Scheme is implemented, HoldCo Shareholders or Retained Shareholders may not realise the outcome with respect to their investment that they intended, or which might have been available were their investment in a listed entity.

A summary of some of the key types of investor protections that will no longer apply is set out below.

ASX Listing Rules

Listing Rule	Description of lost protection
Continuous disclosure (Chapter 3)	This chapter contains obligations on listed entities to disclose material price sensitive information to the market. **Neither HoldCo or VRL (after being delisted) will have an obligation to disclose material price sensitive information post implementation of Either Alternative Scheme.**
Securities (Chapter 6)	This chapter provides that each class of equity security must be appropriate and equitable in ASX's view. It also provides protections in relation to voting rights of holders of ordinary and preference shares. **The terms of both HoldCo Shares and Retained Shares are not subject to ASX's approval.**
Changes in capital and share issues (Chapter 7)	This chapter requires issuers who issue more than 15% of a listed entity's capital in a 12 month period to seek securityholder approval, subject to certain exceptions. It also imposes limits on the ability of listed entities to issue securities under a rights issue, dividend or distribution plan or during a takeover unless prescribed conditions are met. **Holdings of HoldCo Shares and Retained Share may be more easily diluted.**

Listing Rule	Description of lost protection
Transaction with persons of influence (Chapter 10)	This chapter imposes restrictions on persons in a position of influence, such as related parties, a subsidiary, or a substantial holder, from entering into certain transactions with the listed entity unless certain conditions are met. In prescribed cases, transactions of this nature will require securityholder approval. **Transactions between HoldCo, VRL and/or their related parties may not require shareholder approval, unless shareholder approval is required pursuant to Chapter 2E of the Corporations Act.**
Significant transactions (Chapter 11)	This chapter requires a listed entity to obtain the approval of shareholders in certain circumstances (and where required by ASX), if it proposes to make a significant change to the nature or scale of its activities. **A significant change to the operations of HoldCo or VRL may not require shareholder approval.**

Australia's takeovers regime (Chapter 6 of the Corporations Act) will not apply.

Chapter 6 of the Corporations Act sets out Australia's takeover regime (which is supplemented by ASIC Regulatory Guides and guidance notes issued by the Australian Takeovers Panel). These provisions prohibit a person from acquiring relevant interests in the securities of a listed entity where it would have the effect of causing the person's or someone else's voting power in the company to increase from 20% or below to above 20%, or to increase from a starting point of above 20% and below 90%, unless an exception applies. Exceptions include where the person increases its voting power by way of a takeover bid or a scheme of arrangement. The purpose of Chapter 6 of the Corporations Act is to ensure such increases in voting power occur in a manner which provides shareholders with sufficient time to enable them to assess an offer put to them by an acquirer, sufficient information and disclosure about the offer and allows them to have an equal opportunity to participate in the offer and any control premium offered by the acquirer.

As such:

- if the Structure A Scheme is implemented, there is a risk that a person may be able to acquire control of HoldCo or VRL or any of their subsidiaries; or
- if the Structure B Scheme is implemented, there is a risk that a person may be able to acquire control of VRL or any of its subsidiaries,

in a manner that would not have been permitted had Chapter 6 of the Corporations Act applied. For example:

- without making a takeover offer or proposing a scheme of arrangement;
- in circumstances where less information was disclosed to HoldCo Shareholders or Retaining Shareholders about the transaction or where less time was given to HoldCo Shareholders or Retaining Shareholders to assess the offer put to them; and/or
- without giving HoldCo Shareholders or Retaining Shareholders an equal opportunity to participate in the offer and any control premium offered by an acquirer.

d. Lack of information

Both Structure A Scheme Shareholders who receive HoldCo Shares under the Structure A Scheme and Retaining Shareholders who retain Retaining Shares under the Structure B Scheme will receive significantly less information and reports about their investment than what they currently receive as shareholders in VRL.

HoldCo Shareholders, under the HoldCo Shareholders' Deed, and Retaining Shareholders, under the VRL Shareholders' Deed, are entitled to receive a copy of an unaudited profit and loss statement, balance sheet and cash flow statement each half year and each financial year from HoldCo or VRL (as applicable). In addition, HoldCo or VRL must send to each HoldCo Shareholder or Retaining Shareholder that holds more than 5% of HoldCo Shares or Retaining Shares unaudited quarterly financial statements prepared by management.

Both Structure A Scheme Shareholders who receive HoldCo Shares under the Structure A Scheme and Retaining Shareholders who hold Retaining Shares under the Structure B Scheme will not, however, receive reports such as remuneration reports or corporate governance reports. Neither HoldCo nor VRL will be required to comply with extensive continuous disclosure obligations set out in Chapter 3 of the Listing Rules and section 674 of the Corporations Act.

e. Payment of dividends

Whilst each HoldCo Share and Retaining Share will be entitled to receive any dividends and other distributions from HoldCo or VRL, respectively, post implementation of Either Alternative Scheme, the declaration and payment of any dividends will be at the discretion of the board of HoldCo or VRL (as applicable).

It should be noted that under the HoldCo Shareholders' Deed and VRL Shareholders' Deed, no dividend will be payable within the first two years after the implementation of Either Alternative Scheme unless otherwise approved by the board of HoldCo or VRL.

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f. Dilution

HoldCo, in circumstances where the Structure A Scheme is implemented, and VRL, in circumstances where the Structure B Scheme is implemented, may:

- need to raise additional capital in the future in order to meet the operating and/or financing requirements of itself and HoldCo or VRL and their Subsidiaries; and/or
- issue shares or other securities to HoldCo management through the establishment of a management equity plan.

Future capital raisings, equity funded acquisitions by HoldCo or VRL (as applicable) or the issuances of shares to HoldCo or VRL management, undertaken in accordance with the HoldCo Shareholders' Deed or VRL Shareholders' Deed, may dilute the holdings of a particular HoldCo Shareholder or Retaining Shareholder relative to other HoldCo Shareholders or VRL Shareholders following implementation of Either Alternative Scheme. In particular, under the HoldCo Shareholders' Deed, Other Shareholders, and under the VRL Shareholders' Deed, Retaining Shareholders that are not Substantial Shareholders, are not required to be given a right to participate in future equity raisings. Even where HoldCo Shareholders or Retaining Shareholders are given the opportunity to participate in future equity raisings, a HoldCo Shareholder or Retaining Shareholder that does not take up their proportional share of any pro rata issue of shares offered to them, may have their interest in HoldCo or VRL (as applicable) diluted relative to other HoldCo Shareholders or VRL Shareholders who elected to take up their proportional share of any pro rata issue. Furthermore, it is expected that a management equity plan will be established following implementation of Either Alternative Scheme that will initially involve an issue of shares representing up to 6% of the issued share capital of HoldCo, if the Structure A Scheme becomes Effective, or of VRL, if the Structure B Scheme becomes Effective. The size of the management equity plan may vary over time and may result in further dilution of HoldCo Shareholders or Retaining Shareholders.

g. Exit

Consistent with usual private equity practice, post implementation of Either Alternative Scheme, BGH may seek to exit the investment in either HoldCo or VRL at some time in the future. This is subject to prevailing market conditions, the business' performance, other factors which may be considered relevant at the time and the terms of the HoldCo Shareholders' Deed or VRL Shareholders' Deed. Due consideration will also be given to market conditions and business performance as they evolve over time. The optimal means of exit will be determined at some point in the future. As such, the time period for exit is currently unknown and, subject to the HoldCo Shareholders' Deed and VRL Shareholders' Deed, is in the discretion of the BGH Shareholders.

There is no guarantee that Structure A Scheme Shareholders who receive HoldCo Shares under the Structure A Scheme and Retaining Shareholders who retain Retained Shares under the Structure B Scheme will be able to achieve an exit in respect of their shares in HoldCo or VRL (as applicable). In particular, there will be no active market for the sale and purchase of HoldCo Shares or the Retained Shares post implementation of Either Alternative Scheme, and the HoldCo Shareholders or Retaining Shareholders ability to dispose of their HoldCo Shares or Retained Shares (as applicable) will be restricted by the HoldCo Shareholders' Deed and VRL Shareholders' Deed, respectively.

Conversely, there is no guarantee that HoldCo Shareholders or Retaining Shareholders will want to exit their investment at the same time as a decision for exit is made by BGH Shareholders. Under the HoldCo Shareholders' Deed and VRL Shareholders' Deed, HoldCo Shareholders or Retaining Shareholders may be compelled to sell or transfer their shareholding in each entity under various exit provisions. For further information about the exit rights of the BGH Shareholders and HoldCo Shareholders or Retaining Shareholders, see Sections 7.4 and 8.4. HoldCo Shareholders or Retaining Shareholders may not agree with the exit strategy adopted by the BGH Shareholders or receive the price and return on investment they expect.

In addition, under the Structure B Scheme, while a Restructure Event provides a potential exit opportunity for Retained Shareholders, you should note that Retained Shareholders will only be able to dispose of a maximum of 50% of their Retained Shares for the Structure B Cash Consideration less $0.10 with the remainder to be exchanged for HoldCo Shares. There is also no guarantee that a Restructure Event will occur.

Further, if a Restructure Event occurs, your ability to receive HoldCo Shares and therefore remain invested in the VRL business may be impacted if you are an overseas shareholder or where your circumstances mean that HoldCo would be required to issue a disclosure document (such as a prospectus) to you. In addition, the taxation implications of a Restructure Event may not suit your financial position. Please refer to Section 8.2(e) for further details on the Restructure Event.

h. Leverage

Except for the BGH Second Ranking Secured Loan, no other debt financing is being obtained by HoldCo or VRL or their Subsidiaries to fund the payment of the Structure A Cash Consideration or Structure B Cash Consideration, meaning that the leverage position of HoldCo and VRL and their Subsidiaries immediately following implementation of Either Alternative Scheme will be broadly the same as the VRL's leverage position prior to implementation of Either Alternative Scheme.

However, HoldCo or VRL and their Subsidiaries may raise additional debt financing in the future in order to meet the operating and/or financing requirements of Holdco or VRL and their Subsidiaries. HoldCo or VRL may raise new debt financing to fund cash considerations of any acquisitions or other purposes deemed appropriate by HoldCo or VRL and their Subsidiaries.

Future debt financing raisings, undertaken in accordance with the HoldCo Shareholders' Deed or VRL Shareholders' Deed (as applicable), may expose a HoldCo Shareholder or Retaining Shareholder (as applicable) to greater risks than they currently face arising from the current leverage position of HoldCo or VRL. The leverage position of HoldCo or VRL and their Subsidiaries in the future may be different to that of ASX-listed companies of a similar size and nature.

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i. Current trading by the VRL Group

As set out in Sections 5.4 and 9.2, as at the date of this Scheme Booklet the VRL Group has been significantly affected by the impact of COVID-19. As a result, significant parts of the VRL Group's activities have either been significantly reduced or altogether suspended and, as a result, earnings or cash inflows for the VRL Group have significantly reduced, without a commensurate decrease in expenses and cash outflows. There is no certainty as to how long these conditions will remain or whether the VRL Group's businesses will recover in part or in full, and the conditions caused by COVID-19 may become worse over time.

There is also no certainty that the HoldCo Group or VRL Group will have available to it the funding it requires to continue operating if the circumstances caused by COVID-19 continue. This may give rise to a risk of insolvency for the HoldCo Group or VRL Group (as applicable). Existing debt financiers may also have certain rights available to them to require repayment or to take other action against the VRL Group (including taking security over the VRL Group's assets) if these adverse trading conditions or the impact of COVID-19 continue.

VRL Shareholders that elect to receive HoldCo Shares or retain Retained Shares will continue to be exposed to the risks associated with the current trading environment and the continuation or worsening of the adverse impacts of COVID-19 and associated government regulation on the VRL Group's business.

j. Reliance on information

Before executing the Implementation Agreement, BidCo undertook due diligence in respect of VRL on information provided for the purpose of considering the acquisition of VRL and negotiating the Implementation Agreement. Such investigations were carried out in a limited timeframe. The BidCo Group has prepared these risks on the basis of information regarding VRL that is known to the BidCo Group and accordingly there may be other risks associated with VRL that are currently unknown to the BidCo Group. Additionally, there is a risk that the information currently available to the BidCo Group in respect of VRL may contain inaccuracies or have changed due to the changes in the economy or other risk factors outside of the control of either the BidCo Group or VRL.

9.5 Risk factors that may prevent Either Alternative Scheme from becoming Effective or being implemented

This Section sets out the risks that associated with Each Alternative Schemes and its ancillary processes proceeding to being implemented.

Both the Structure A Scheme and Structure B Scheme are subject to various Conditions. These Conditions are outlined in Section 2.9(b). As at the date of this Scheme Booklet, your Independent Directors are not aware of any circumstances which would cause the Conditions to not be satisfied or (if applicable) waived. Despite this, there is a possibility that one or more of the Conditions will not be satisfied or waived and that neither the Structure A Scheme nor the Structure B Scheme will proceed.

VRL, VRC, HoldCo and BidCo have entered into an Implementation Agreement which provides a contractual framework for proposing and implementing Either Alternative Scheme. The Implementation Agreement sets out circumstances where that agreement may be terminated, in which case neither the Structure A Scheme nor the Structure B Scheme will proceed. These termination rights are set out in Section 7.6.

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10 TAXATION IMPLICATIONS FOR VRL SHAREHOLDERS

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10. TAXATION IMPLICATIONS FOR VRL SHAREHOLDERS

10.1 Introduction

This Section provides a summary of the general Australian taxation consequences for VRL Shareholders in relation to Each Alternative Scheme and should be considered in conjunction with the rest of this Scheme Booklet.

The information contained in this Section is only a general guide and is not intended to be an authoritative or complete statement of the taxation law applicable to the specific circumstances of each VRL Shareholder and should not be relied upon by VRL Shareholders as taxation advice. VRL Shareholders are strongly advised to seek their own professional advice with respect to the taxation implications of Each Alternative Scheme.

10.2 Overview

The following is a general summary of the Australian taxation (including CGT, GST and stamp duty) implications for Australian resident VRL Shareholders, who hold their VRL Shares on capital account, of participating in Each Alternative Scheme.

This summary does not apply to VRL Shareholders who:

- are non-residents of Australia for Australian taxation purposes;
- hold their VRL Shares as revenue assets, as trading stock, or are subject to the Taxation of Financial Arrangements provisions in Division 230 of the ITAA 1997; or
- are financial institutions, insurance companies, partnerships, taxation exempt organisations, dealers in securities or shareholders who change their taxation residency while holding shares, each of which may be subject to additional taxation rules.

This summary has been prepared on the basis of Australian taxation law and administrative practice as at the date of this Scheme Booklet. References to Australian resident VRL Shareholders are to VRL Shareholders who are residents of Australia for Australian income taxation purposes and are not taxation resident in any other jurisdiction.

10.3 Class ruling

VRL has lodged class ruling applications with the ATO seeking confirmation on specific Australian taxation implications for VRL Shareholders of Each Alternative Scheme.

Specifically, the class ruling applications seek the ATO's confirmation on:

- in respect of the Structure A Scheme: the CGT implications for Australian resident VRL Shareholders of participating in the Structure A Scheme, including the availability of scrip for scrip roll-over relief for Australian resident VRL Shareholders on the disposal of VRL Shares under the Scheme; and
- in respect of the Structure B Scheme: the taxation implications for Retaining Shareholders whose Retained Shares are transferred to a Nominee.

It is anticipated that the views in the class rulings should be consistent with the summary in this Section, although it is possible that the ATO's views may differ. As part of the ATO's early engagement process the ATO should notify VRL if it has a material concern with either of the class ruling applications.

The final class ruling is only expected to be issued after implementation of the Scheme and only in respect of the Alternative Scheme which proceeds. When published, the final class ruling will be available on the ATO's website (www.ato.gov.au) and VRL's website (villageroadshow.com.au).

Neither the Structure A Scheme nor the Structure B Scheme are conditional on receipt of the class ruling.

10.4 Australian taxation implications of the Structure A Scheme

a. Disposal of VRL Shares by Australian residents

Australian CGT

The disposal of VRL Shares by an Australian resident VRL Shareholder pursuant to the Structure A Scheme should constitute a CGT event for Australian income taxation purposes on the Implementation Date. The CGT event will occur on the Implementation Date.

Australian resident VRL Shareholders should:

- make a capital gain if the proceeds from the disposal of their VRL Shares are greater than the cost base of their VRL Shares disposed of (subject to the application of roll-over relief, discussed below); or
- make a capital loss if the capital proceeds from the disposal of their VRL Shares are less than the reduced cost base of their VRL Shares.

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Australian resident VRL Shareholders who make a capital gain on disposal of their VRL Shares will be required to include the net capital gain (if any) for the income year in their assessable income. Specific CGT roll-over provisions are relevant to the Structure A Scheme and are outlined below.

Australian resident VRL Shareholders who make a capital loss on the disposal of their VRL Shares can only offset the capital loss against capital gains realised in the same, or subsequent, income years. Specific loss recoupment rules apply to companies and may restrict their ability to utilise any such capital losses in a future period.

Capital proceeds

The capital proceeds from the disposal of VRL Shares under the Structure A Scheme should include the Structure A Cash Consideration or the market value of the Structure A Scrip Consideration (or the sum of both where a Partial Election is made).

Cost base

The cost base and reduced cost base of VRL Shares should generally include the amount paid to acquire the VRL Shares and the market value of any property given to acquire the VRL Shares, plus any incidental costs of acquisition (e.g. brokerage fees and stamp duty).

CGT discount

Generally, Australian resident VRL Shareholders who are individuals, trusts or complying superannuation funds that have held their VRL Shares for at least 12 months at the time of their disposal should be entitled to the CGT discount in calculating the amount of capital gain on disposal of their VRL Shares.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which should reduce a capital gain arising from the disposal of VRL Shares is as follows:

- 50% for individuals and trusts; and
- 33 1/3% for a complying superannuation fund.

The CGT discount is not available for Australian resident VRL Shareholders who are companies.

b. Scrip for scrip roll-over relief for Australian residents

Eligibility for scrip for scrip roll-over relief

Australian resident VRL Shareholders who would otherwise make a capital gain on the disposal of their VRL Shares under the Structure A Scheme may choose scrip for scrip roll-over relief to the extent that the capital gain made on the disposal of their VRL Shares is attributable to the receipt of the Structure A Scrip Consideration. Australian resident VRL Shareholders cannot choose to apply scrip for scrip roll-over relief if they make a capital loss on the disposal of their VRL Shares or where they elect to receive Structure A Cash Consideration.

Consequences of choosing scrip for scrip roll-over relief

In the event that scrip for scrip roll-over relief is available and has been chosen:

- for Australian resident VRL Shareholders who elect to, and do, receive only Structure A Scrip Consideration, all of the capital gain arising in relation to disposal of their VRL Shares should be disregarded;
- for Australian resident VRL Shareholders who elect to receive Structure A Cash Consideration, none of the capital gain arising in relation to the disposal of their VRL Shares should be eligible to be disregarded; or
- for Australian resident VRL Shareholders who receive a combination of both Structure A Cash Consideration and Structure A Scrip Consideration due to the application of a possible scale-back as described in Section 7.2(c) and/or a Partial Election, only that part of the capital gain relating to the receipt of the Structure A Scrip Consideration can be disregarded.

Where an Australian resident VRL Shareholder receives Structure A Scrip Consideration and has applied scrip for scrip roll-over relief, the cost base of the HoldCo Shares received should be equal to the cost base of their original VRL Shares disposed of.

In the event that an Australian resident VRL Shareholder receives a combination of Structure A Scrip Consideration and Structure A Cash Consideration in respect of their VRL Shares and has applied scrip for scrip roll-over relief, the cost base of the HoldCo Shares received should be equal to the cost base of their original VRL Shares disposed of, reduced by the amount of the cost base that is reasonably attributable to Structure A Cash Consideration received.

Where scrip for scrip roll-over relief has been chosen by an Australian resident VRL Shareholder, the HoldCo Shares should be deemed to have been acquired at the time the VRL Shares were originally acquired. This should be relevant for the purposes of determining eligibility for the CGT discount for a subsequent disposal of HoldCo Shares.

The benefit of choosing scrip for scrip roll-over relief should depend upon the individual circumstances of each Australian resident VRL Shareholder.

Choosing roll-over relief

A choice to adopt scrip for scrip roll-over relief generally must be made by an Australian resident VRL Shareholder before lodgement of that Australian resident VRL Shareholder's income taxation return for the income year in which the CGT event occurs.

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Consequences of not choosing scrip for scrip roll-over relief

Australian resident VRL Shareholders who are ineligible to choose scrip for scrip roll-over relief, or elect not to choose it, should be assessed on any capital gain arising on the disposal of their VRL Shares.

Australian resident VRL Shareholders should make a capital gain if the proceeds from the disposal of their VRL Shares are greater than the cost base of their VRL Shares disposed of.

The capital proceeds from the disposal of VRL Shares under the Structure A Scheme should include either the Structure A Cash Consideration or the market value of the Structure A Scrip Consideration (or the sum of both where a Partial Election is made or scale back applies).

The first element of the cost base of the HoldCo Shares received in consideration for the disposal of VRL Shares should be equal to the market value of those VRL Shares disposed of on the date the HoldCo Shares are issued.

The acquisition date of a HoldCo Share should be the issue date. This should be relevant for the purposes of determining whether an Australian resident VRL Shareholder is eligible for the CGT discount in relation to a subsequent disposal of HoldCo Shares.

c. GST

The sale of VRL Shares by Australian resident VRL Shareholders should not give rise to any GST liabilities. Australian resident VRL Shareholders may not be entitled to claim input tax credits in respect of any GST included in the costs they have incurred in connection with the sale of the VRL Shares.

The acquisition of HoldCo Shares (where a VRL Shareholder elects to receive the Structure A Scrip Consideration) should not give rise to any GST liabilities. Australian resident VRL Shareholders may not be entitled to claim input tax credits in respect of any GST included in the costs they have incurred in connection with the acquisition of the HoldCo Shares.

VRL Shareholders should obtain independent advice in relation to the precise GST implications associated with the disposal of the VRL Shares and, where a VRL Shareholder elects to receive the Structure A Scrip Consideration, the acquisition of the HoldCo Shares.

d. Stamp duty

The sale of VRL Shares should not have any stamp duty implications for Australian resident VRL Shareholders.

The acquisition of HoldCo shares by an Australian resident VRL Shareholder should not give rise to a stamp duty liability provided the interest acquired does not amount to an interest of 50% or more in HoldCo, whether on a standalone basis or on an aggregated basis.

10.5 Australian taxation implications of the Structure B Scheme

a. Disposal of VRL Shares by Australian residents

Australian CGT

The disposal of VRL Shares by an Australian resident VRL Shareholder pursuant to the Structure B Scheme should constitute a CGT event for Australian income taxation purposes on the Implementation Date. The CGT event will occur on the Implementation Date.

Australian resident VRL Shareholders should:

- make a capital gain if the proceeds from the disposal of their VRL Shares are greater than the cost base of their VRL Shares disposed of; or
- make a capital loss if the capital proceeds from the disposal of their VRL Shares are less than the reduced cost base of their VRL Shares.

Australian resident VRL Shareholders who make a capital gain on disposal of their VRL Shares should be required to include the net capital gain (if any) for the income year in their assessable income.

Australian resident VRL Shareholders who make a capital loss on the disposal of their VRL Shares can only offset the capital loss against capital gains realised in the same, or subsequent, income years. Specific loss recoupment rules apply to companies and may restrict their ability to utilise any such capital losses in a future period.

Capital proceeds

The capital proceeds from the disposal of VRL Shares under the Scheme should be the Structure B Cash Consideration.

Cost base

The cost base and reduced cost base of VRL Shares should generally include the amount paid to acquire the VRL Shares and the market value of any property given to acquire the VRL Shares, plus any incidental costs of acquisition (e.g. brokerage fees and stamp duty).

CGT discount

Generally, Australian resident VRL Shareholders who are individuals, trusts or complying superannuation funds that have held their VRL Shares for at least 12 months at the time of their disposal should be entitled to the CGT discount in calculating the amount of capital gain on disposal of their VRL Shares.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which should reduce a capital gain arising from the disposal of VRL Shares is as follows:

i. 50% for individuals and trusts; and

ii. 33 1/3% for a complying superannuation fund.

The CGT discount is not available for Australian resident VRL Shareholders who are companies.

b. Australian resident Retaining Shareholders – transfer of Retained Shares to a Nominee

The transfer of VRL Shares by an Australian resident Retaining Shareholder to the Nominee should not constitute a CGT event for Australian income taxation purposes on the Implementation Date.

c. Australian resident Retaining Shareholders – Restructure Event

As noted above, as part of the VRL Shareholders' Deed under the Structure B Scheme, the Retained Shares may be acquired under the Restructure Event. This will involve each Retaining Shareholder exchanging their VRL Shares for either:

- HoldCo Shares; or
- cash for a maximum of 50% of the Retained VRL Shares and HoldCo Shares for the balance.

The disposal of VRL Shares by an Australian resident Retaining Shareholder pursuant to the Restructure Event should constitute a CGT event for Australian income taxation purposes.

Australian resident Retaining Shareholders should:

- make a capital gain if the proceeds from the disposal of their VRL Shares are greater than the cost base of their VRL Shares disposed of; or
- make a capital loss if the capital proceeds from the disposal of their VRL Shares are less than the reduced cost base of their VRL Shares.

Australian resident Retaining Shareholders who make a capital gain on disposal of their VRL Shares should be required to include the net capital gain (if any) for the income year in their assessable income.

Australian resident Retaining Shareholders who would otherwise make a capital gain on the disposal of their VRL Shares under the Restructure Event may be able to choose scrip for scrip roll-over relief to the extent that the capital gain made on the disposal of their VRL Shares is attributable to the receipt of the HoldCo Shares and they meet the eligibility requirements (outlined above).

d. GST

The sale of VRL Shares by Australian resident VRL Shareholders should not give rise to any GST liabilities. Australian resident VRL Shareholders may not be entitled to claim input tax credits in respect of any GST included in the costs they have incurred in connection with the sale of the VRL Shares.

VRL Shareholders should obtain independent advice in relation to the precise GST implications associated with the disposal of the VRL Shares.

e. Stamp duty

The sale of VRL Shares should not have any stamp duty implications for Australian resident VRL Shareholders.

10.6 Foreign resident capital gains withholding taxation

Foreign resident capital gains withholding taxation applies to a transaction involving the acquisition of the ownership of an asset that is an Australian indirect real property interest from a 'relevant foreign resident'.

Under the Australian foreign resident capital gains withholding taxation rules, VRC or BidCo, as purchaser of your VRL Shares under the Relevant Scheme, is required to assess whether you as a VRL Shareholder are a 'relevant foreign resident'.

For the purposes of these rules, a 'relevant foreign resident' is any VRL Shareholder, at the time of the transaction, that is:

- known or reasonably believed by VRC or BidCo (as applicable) to be a foreign resident;
- is not reasonably believed by VRC or BidCo (as applicable) to be an Australian resident, and has an address outside Australia or has authorised VRC or BidCo (as applicable) to provide a financial benefit to a place outside Australia; or
- has a connection outside Australia of a kind specified in the regulations.

If VRC or BidCo (as applicable), consider or reasonably believe you are a 'relevant foreign resident', you will be provided (with this Scheme Booklet) a foreign resident capital gains withholding taxation declaration form.

A number of factors will be considered in determining whether VRC or BidCo (as applicable) consider or reasonably believe you as a VRL Shareholder are a 'relevant foreign resident', including where you:

- are classified as a non-resident or have a non-Australian domicile in the VRL Register;
- have a foreign registered address; or
- in the case of a corporate shareholder, are not incorporated in Australia or have a registered name which leads VRC or BidCo (as applicable) to reasonably believe you are not an Australian incorporated entity.

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If for whatever reason, you think that you are a foreign resident but do not receive a declaration form you should contact the Share Registry to request a declaration form.

In the foreign resident capital gains withholding taxation declaration form, a VRL Shareholder may provide VRC or BidCo (as applicable) with a declaration that the registered holder of the relevant VRL shares does not hold membership interests which are indirect Australian real property interests because:

- the registered holder of the relevant VRL Shares is an Australian taxation resident; or
- the registered holder of the relevant VRL Shares, together with its associates, has not held an interest of 10% or more in VRL as at the Implementation Date or for a twelve month period during the last two years preceding the Implementation Date.

If you received a declaration form you should read it in full and follow the instructions provided on the form.

Unless a signed foreign resident capital gains withholding taxation declaration form regarding your residency, or interest, is provided to VRC or BidCo by the Scheme Record Date, you may be treated as being a 'relevant foreign resident' for the purposes of the Relevant Scheme.

Where you are treated as being a 'relevant foreign resident' for the purposes of the Relevant Scheme, VRC or BidCo (as applicable) may withhold, and remit, an amount equal to 12.5% (or some lesser amount approved by the Commissioner of Taxation) of your Scheme Consideration payable to you, to the Commissioner of Taxation.

In the event that VRC or BidCo (as applicable) is required to withhold from your Structure A Scheme Consideration and you have elected to receive a combination of Structure A Scrip Consideration and Structure A Cash Consideration, the withholding will first be made against the Structure A Cash Consideration. If required, the Structure A Scrip Consideration will be reduced to the extent necessary to discharge the balance of the withholding obligation.

VRL Shareholders who have an amount withheld may be entitled to a credit for that amount withheld on lodging an Australian income taxation return.

VRL Shareholders should seek their own independent taxation advice as to the taxation implications of the foreign resident capital gains withholding taxation and the making of a foreign resident capital gains withholding taxation declaration.

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11 IMPLEMENTATION

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11. IMPLEMENTATION

11.1 Introduction

If:

a. the Structure A Scheme and/or the Structure B Scheme are approved by VRL Shareholders at the Scheme Meetings; and

b. all other Scheme Conditions for the Relevant Scheme as described in Section 2.9(b) (other than Court approval of the Relevant Scheme) have been satisfied or waived (as applicable),

the further general steps required to implement the Relevant Scheme are as described in the remainder of this Section. Even though eligible VRL Shareholders may vote on Each Alternative Scheme, ultimately only one (if any) Scheme will proceed to the implemented.

The description of these general steps is based on the obligations that VRL, VRC, BidCo and HoldCo have under the Implementation Agreement (in relation to Either Alternative Scheme as is relevant).

VRC and HoldCo have also signed the Structure A Scheme Deed Poll in which they covenant in favour of Structure A Scheme Shareholders to perform the actions attributed to them under the Structure A Scheme and to provide the Structure A Scheme Consideration in accordance with the Structure A Scheme. The Structure A Scheme Deed Poll is contained in Appendix 3 to this Scheme Booklet.

BidCo has also signed the Structure B Scheme Deed Poll in which it covenants in favour of the Structure B Scheme Shareholders to perform the actions attributed to it under the Structure B Scheme and to provide the Structure B Scheme Consideration in accordance with the Structure B Scheme. The Structure B Scheme Deed Poll is contained in Appendix 6 to this Scheme Booklet.

11.2 Apply to Court for approval of Relevant Scheme

At the Second Court Hearing, VRL will apply to the Court for orders approving the Relevant Scheme. It is proposed that the Second Court Date will be on Friday, 4 December 2020. Any change to this date will be announced through ASX and will be available on ASX's website, www.asx.com.au.

The Court has a wide, overriding discretion whether or not to approve the Relevant Scheme under section 411(4)(b) of the Corporations Act. Due to the unforeseen extraordinary circumstances posed by COVID-19, VRL reserves the right to apply to the Court at the Second Court Hearing to approve the Structure A Scheme even if the Headcount Test is not satisfied.

If the Structure A Scheme is approved by the requisite majorities of VRL Shareholders (other than Excluded Shareholders) at the Structure A Scheme Meeting, but is not subsequently approved by the Court, the Structure A Scheme will not proceed to be implemented.

In those circumstances, the Structure B Scheme will proceed to be implemented (assuming that it is approved by the requisite majorities of VRL Shareholders at the Structure B Scheme Meeting and is approved by the Court).

11.3 Opposing the Relevant Scheme

The date of the Second Court Hearing to approve the Relevant Scheme is currently scheduled to be Friday, 4 December 2020.

The hearing will be at 10.15am (Melbourne time) in the Federal Court of Australia (Victoria registry). In response to the global COVID-19 pandemic and government restrictions on physical gatherings, it is possible that the Second Court Hearing will be held either virtually or by telephone conference. Further details on how to attend the Second Court Hearing will be released on ASX if Either Alternative Scheme is approved by VRL Shareholders at the Scheme Meeting. VRL Shareholders should note that the protocols for attendance at the Second Court Hearing may change at short notice in light of developments relating to the COVID-19 pandemic. Any such change will be announced by VRL to ASX.

If you wish to oppose approval of the Scheme by the Court at the Second Court Hearing you must file with the Court, and serve on VRL, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on VRL at its address for service at least one day before the Second Court Date.

The address for service is: c/o MinterEllison, Rialto Towers, 525 Collins Street, Melbourne VIC 3000, Attention: Bart Oude-Vrielink. The notice of appearance and affidavit must also be sent by email to bart.oude-vrielink@minterellison.com.

11.4 Receipt of Court orders

If the Court approves Either Alternative Scheme:

- VRL will make an announcement to ASX notifying the market of receipt of Court approval, with that announcement proposed to be made on the day on which the Court approves the Relevant Scheme;
- that announcement will specify the Scheme Record Date; and
- as soon as possible and in any event by 5.00pm on the first Business Day after the day on which the Court approves the Relevant Scheme, VRL will lodge an office copy of the Court's orders with ASIC under section 411(10) of the Corporations Act. On that date (currently proposed to be Monday, 7 December 2020, the Relevant Scheme will become Effective.

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If Either Alternative Scheme becomes Effective, VRL will become bound to implement the Relevant Scheme in accordance with the terms of the Implementation Agreement, the Relevant Scheme and the Relevant Deed Poll. Only those persons who are registered as the holders of VRL Shares on the Relevant Scheme Record Date will be Scheme Shareholders, being the only persons who will be bound by, and have the benefit, of the Relevant Scheme. Section 11.5 describes the principles in the Relevant Scheme for determining the identity of Scheme Shareholders.

If Either Alternative Scheme does not become Effective before the End Date, the Relevant Scheme will lapse.

11.5 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders under the Relevant Scheme, dealings in VRL Shares or other alterations to the Share Register will only be recognised if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant VRL Shares on or before 7.00pm on the day on which the Relevant Scheme Record Date occurs; and
- in all other cases, registrable transmission applications or transfers received on or before 5.00pm on the day on which the Relevant Scheme Record Date occurs at the place where the Share Register is kept.

VRL will not accept for registration or recognise for any purpose any transmission application or transfer in respect of VRL Shares received after 7.00pm on the day on which the Relevant Scheme Record Date occurs (or if received prior to that time but not in registrable or actionable form, as appropriate), other than to

- VRC under the Structure A Scheme and any subsequent transfer by VRC or its successors in title; or
- BidCo and any subsequent transfer by its successors in title under the Structure B Scheme.

Under the terms of the Structure A Scheme, from the Structure A Scheme Record Date until registration of VRC as the holder of the all Scheme Shares:

- VRL Shareholders (other than Excluded Shareholders) may not dispose of, or otherwise deal with, any Scheme Shares or any interest in them after the Structure A Scheme Record Date; and
- any disposals or dealings in Scheme Shares after the Structure A Scheme Record Date will not be recognised by the Share Registry.

Under the terms of the Structure A Scheme, all Scheme Shareholders who have made a valid Election will be deemed to have agreed to and be bound by the HoldCo Shareholders' Deed.

Under the terms of the Structure B Scheme, from the Structure B Scheme Record Date until registration of BidCo as the holder of the Transferring Shares:

- Transferring Shareholders may not dispose of, or otherwise deal with, any Transferring Shares or any interest in them after the Structure B Scheme Record Date; and
- any disposals or dealings in Transferring Shares after the Structure B Scheme Record Date will not be recognised by the Share Registry.

Under the terms of the Structure B Scheme, all Retaining Shareholders will be deemed to have agreed to and be bound by the VRL Shareholders' Deed.

For the purposes of determining entitlements to the Scheme Consideration under Either Alternative Scheme, VRL must maintain the Share Register in accordance with the provisions set out above until the Scheme Consideration has been delivered to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

All statements of holding for Scheme Shares (under the Structure A Scheme) or Transferring Shares (under the Structure B Scheme) will cease to have effect from the Relevant Scheme Record Date as documents of title in respect of those shares. As from the Relevant Scheme Record Date, each entry current at that date on the Share Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Shares relating to that entry.

As soon as practicable after the Relevant Scheme Record Date and in any even within one Business Day after the Relevant Scheme Record Date, VRL will ensure that details of the names, Registered Addresses and holdings of VRL Shares for each Scheme Shareholder are available to VRC or BidCo (as applicable) in the form they reasonably require.

11.6 Implementation of Relevant Scheme

a. Suspension of trading of VRL Shares

It is expected that suspension of trading on ASX and on Chi-X in VRL Shares will occur from close of trading on the Effective Date. On the current timetable, the Effective Date is proposed to be Monday, 7 December 2020 for Either Alternative Scheme.

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b. Scheme Record Date

VRL Shareholders, except for Excluded Shareholders (under the Structure A Scheme) or Retaining Shareholders (under the Structure B Scheme), will be entitled to receive the Scheme Consideration if they are registered as the holders of VRL Shares on the Relevant Scheme Record Date. The Relevant Scheme Record Date for Either Alternative Scheme is currently proposed to be Wednesday, 9 December 2020. In this Scheme Booklet, VRL Shareholders, and the VRL Shares that they hold, on the Relevant Scheme Record Date (if Either Alternative Scheme becomes Effective) are referred to as 'Scheme Shareholders' and 'Scheme Shares', respectively, except for Excluded Shareholders (under the Structure A Scheme). In addition, under the Structure B Scheme, Scheme Shareholders who have not made an Election to retain their VRL Shares, and the VRL Shares that they hold, are referred to as 'Transferring Shareholders' and 'Transferring Shares' respectively.

c. Transfer and registration of Scheme Shares

Under Each Alternative Scheme, each Scheme Shareholder, without the need for any further act, irrevocably appoints VRL and each of its directors, officers and secretaries, jointly and severally, as that Scheme Shareholder's attorney and agent for the purpose of executing any document necessary to give effect to the Relevant Scheme, including (without limitation) a master transfer of all or part of the Scheme Shares (under the Structure A Scheme) or the Transferring Shares (under the Structure B Scheme).

On the Implementation Date, the Scheme Shares held by the Scheme Shareholders (under the Structure A Scheme) or the Transferring Shares held by the Transferring Shareholders (under the Structure B Scheme), together with all rights and entitlements attaching to those shares as at the Implementation Date, will be transferred to either VRC or BidCo (as applicable) without the need for any further act by any Scheme Shareholder (under the Structure A Scheme) or any Transferring Shareholder (under the Structure B Scheme), by VRL executing and delivering a valid transfer or transfers of the Scheme Shares (under the Structure A Scheme) or the Transferring Shares (under the Structure B Scheme) to either VRC or BidCo (as applicable) under the Corporations Act.

d. Provision of Scheme Consideration

Structure A Scheme

Cash Consideration

On the Implementation Date, VRL will, subject to VRC transferring the aggregate amount of the Scheme Consideration into the Trust Account, either:

- send (or procure the Share Registry to send) the Scheme Consideration due to each Scheme Shareholder to their Registered Address by cheque in Australian currency drawn out of the Trust Account; or
- deposit (or procure the Registry to deposit) the Scheme Consideration due to each Scheme Shareholder into an account with any Australian ADI (as defined in the Corporations Act) notified to VRL (or the Registry) by an appropriate authority from the Scheme Shareholders.

In the case of Scheme Shares held in joint names any cheque required to be sent under the Structure A Scheme will be made payable to the joint holders and sent, at the sole discretion of VRL, to either the holder whose name appears first in the Share Register as at the Structure A Scheme Record Date or to the joint holders.

Where the calculation of the Scheme Consideration would result in a Scheme Shareholder becoming entitled to a fraction of a cent, that fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

HoldCo Shares

On the Implementation Date, HoldCo must before 12 noon (or such other later time as HoldCo or VRL may agreement) procure that, at HoldCo's absolute discretion, either:

- the name of each Scheme Shareholder (if any) entitled to receive HoldCo Shares under the Structure A Scheme is entered in HoldCo's register of members as the holder of those HoldCo Shares (having the same holding name and address and other details as the holding of the relevant Scheme Shares); or
- the name of the Nominee is entered in HoldCo's register of members as the holder of those HoldCo Shares, pursuant to and in accordance with the HoldCo Shareholders' Deed for the Nominee to hold on bare trust for the Scheme Shareholders, with the trust arrangements being set out in the Nominee Deed and the HoldCo Shareholders' Deed (such that the Scheme Shareholders will be beneficial holders but not the legal holders of the HoldCo Shares).

Within five business Days after the Implementation Date, HoldCo must send or procure the sending of a certificate to each Scheme Shareholder who has made a valid Election and is entitled to receive HoldCo Shares under the Structure A Scheme (if any) or the Nominee, reflecting the issue of such HoldCo Shares.

Structure B Scheme

On the Implementation Date, VRL will, subject to BidCo transferring the aggregate amount of the Scheme Consideration into the Trust Account, either:

- send (or procure the Share Registry to send) the Scheme Consideration due to each Transferring Shareholder to their Registered Address by cheque in Australian currency drawn out of the Trust Account; or
- deposit (or procure the Registry to deposit) the Scheme Consideration due to each Transferring Shareholder into an account with any Australian ADI (as defined in the Corporations Act) notified to VRL (or the Share Registry) by an appropriate authority from the Transferring Shareholders.

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In the case of Transferring Shares held in joint names any cheque required to be sent under the Structure B Scheme will be made payable to the joint holders and sent, at the sole discretion of VRL, to either the holder whose name appears first in the Share Register as at the Structure B Scheme Record Date or to the joint holders.

Where the calculation of the Scheme Consideration would result in a Transferring Shareholder becoming entitled to a fraction of a cent, that fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

e. Delisting of VRL

At a time determined by VRC (in the case of the Structure A Scheme) or BidCo (in the case of the Structure B Scheme) following the implementation of the Relevant Scheme, VRC or BidCo (as applicable) will cause VRL to apply for the termination of the official quotation of VRL Shares on ASX and to have itself removed from the official list of ASX. It is expected that this will occur shortly after the Implementation Date (for Structure A) and on a date determined by BidCo (for Structure B).

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12 ADDITIONAL INFORMATION

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12. ADDITIONAL INFORMATION

12.1 Introduction

This Section sets out the statutory information required by section 412(1)(a) of the Corporations Act and Part 3 of Schedule 8 to the Corporations Regulations to be included in this Scheme Booklet, but only to the extent that this information is not otherwise disclosed in other Sections. This Section also includes additional information that your Independent Directors consider material to a decision on how to vote on the resolutions for Either Alternative Scheme to be considered at the Scheme Meetings.

In this Section, the terms 'associate', 'marketable securities', 'related body corporate' and 'subsidiary' have the meanings given to them in the Corporations Act. The term 'executive officer' is used to mean 'senior manager' as defined in the Corporations Act, including the company secretary

12.2 Directors' interests and dealings in VRL Shares

The table below sets out the VRL Shares held by or on behalf of the Directors.

Name	Position	VRL Shares held by or on behalf of the Director	Percentage holding
Robert George Kirby[18]	Executive Director	3,473,203[19]	1.78%
Graham William Burke[18]	Non-Executive Director	5,122,477[20]	2.62%
John Ross Kirby[18]	Non-Executive Director	3,384,006[21]	1.73%
Jennifer Fox Gambrell	Independent Non-Executive Director	166,161	0.09%
Robert Le Tet	Independent Non-Executive Director	384,316	0.20%
Peter Charles Tonagh	Lead Independent Non-Executive Director	45,947	0.02%
Anna Duran	Independent Non-Executive Director	-	0.00
Julie Elaine Raffe	Finance Director Joint Company Secretary Alternate director for Robert Kirby, Graham Burke	1,276,084	0.65%
Total		**13,852,194**	**7.09%**

Other than an allotment under the Non-executive Directors Share Plan of 47,984 VRL Shares for $2.11 on 8 September 2020 and the transfer on 18 June 2020 by RGK Superannuation Pty Ltd of 30,000 VRL Shares for $2.16 per VRL Share to RGK Retirement Nominees Pty Ltd (both the disposing party and acquirer being entities controlled by Robert Kirby), no VRL Director has acquired or disposed of a relevant interest in any VRL Shares in the four month period ended on the date immediately prior to the date of this Scheme Booklet.

As noted in Section 2.2, each Independent Director intends to vote all VRL Shares they hold or control in favour of Each Alternative Scheme in the absence of a Superior Proposal. The Independent Directors of VRL as at the date of this Scheme Booklet are Mr Peter Tonagh, Mr Robert Le Tet, Ms Anna Duran and Ms Jennifer Fox Gambrell. As at the date of this Scheme Booklet, the independent Directors collectively hold approximately 0.31% of the VRL Shares on issue.

12.3 Directors' interest and dealings in BidCo Shares or HoldCo Shares

No BidCo or HoldCo shares are currently held by or on behalf of any director of VRL.

If the Structure A Scheme becomes Effective, the VRC Principals have agreed to sell 100% of the shares in Positive (the ultimate holding company of VRC) to BidCo in exchange for shares in HoldCo and/or cash consideration under the Positive Sale Agreement. The Positive Sale Agreement is conditional on the Structure A Scheme becoming Effective.

If the Structure A Scheme becomes Effective, then the VRC Principals will receive the following HoldCo Shares identified in the table under Section 7.2(a)(vi) under the terms of the Positive Sale Agreement.

18 Messrs R.G. Kirby, G.W. Burke and J.R. Kirby each have a voting power of 39.91% of VRL through their relevant interest in 100% of the issued capital of VRC and Positive (being the ultimate parent entity of VRL).
19 Held through RGK Superannuation Pty Ltd, RGK Retirement Nominees Pty Ltd and Robert Kirby Investments Pty Ltd.
20 Held in his personal capacity and through GW Burke Investments Pty Ltd, GWB Superannuation Pty Ltd and RAB Superannuation Pty Ltd.
21 Held through C&J Kirby Investments Pty Ltd and JRK Retirement Nominees Pty Ltd.

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12.4 Directors' interests in any contracts with BidCo

Except as disclosed below, no Director or any of their associates has entered into, or otherwise has any interest in, any contract entered into by BidCo or any of its associates.

Structure A Scheme

John Ross Kirby, Robert George Kirby and Graham William Burke (and their associated entities) have entered into the following Structure A Ancillary Agreements which either facilitate the sale of Positive to BidCo, in connection with the Structure A Scheme, the sale to VRC of certain VRL Shares held by them or their closely related entities (but not VRC) or regulate the conduct of the parties in connection with the Structure A Scheme. These agreements are:

a. the Subscription Agreement;

b. the Positive Sale Agreement;

c. the VRC Principals Share Sale Agreements; and

d. the Joint Bidding Agreement.[22]

The effect of the agreements set out at (b) to (c) above is that if the Structure A Scheme becomes Effective, the VRC Principals will receive as consideration a combination of HoldCo Shares and cash in connection with:

a. the sale of Positive to BidCo; and

b. the sale of VRL Shares held by the VRC Principals (which definition includes the closely related parties of the natural persons who are VRC Principals) to VRC.

Section 7.2(a)(vi) contains details of the consideration entitlements of the VRC Principals under the Positive Sale Agreement and the VRC Principals Share Sale Agreements.

12.5 Retirement benefits

a. Non-executive directors

No payment or other benefit is proposed to be made or given in connection with Either Alternative Scheme to any non-executive Director of VRL as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in VRL or in any related body corporate of VRL.

b. Executive directors

No payment or other benefit is proposed to be made or given in connection with Either Alternative Scheme to any executive Director of VRL. It is intended that the directors that will hold executive positions post implementation will be re engaged under new contracts. For more information regarding post implementation board and executive arrangements please refer to Section 12.8.

12.6 Directors' intentions regarding the business, assets and employees of VRL

If Either Alternative Scheme is approved and implemented, the existing VRL Board will be reconstituted in accordance with HoldCo Shareholders' Deed (if the Structure A Scheme is implemented) or the VRL Shareholders' Deed (if the Structure B Scheme is implemented). Accordingly, it is not possible for your current VRL Directors to provide a statement of the intentions of the directors of the reconstituted VRL Board regarding:

- the continuation of the business of VRL or how the VRL Group's existing businesses will be conducted after the Scheme is implemented;
- any major changes to be made to the business of the VRL Group; or
- the future employment of the present employees of the VRL Group,

in each case, after Either Alternative Scheme is implemented.

If Either Alternative Scheme is approved and implemented, BidCo will ultimately control VRL. For more information regarding BidCo's intentions if the Structure A Scheme is implemented please see Section 6.6 and for more information regarding BidCo's intentions if the Structure B Scheme is implemented please see Section 6.7.

12.7 Directors' interests in agreements connected with or conditional on Either Alternative Scheme

Except as disclosed below, no Director or any of their associates has entered into, or otherwise has any interest in, any contract that is conditional on Either Alternative Scheme.

As set out in Section 12.4 above, the VRC Principals have agreed to the Structure A Ancillary Agreements listed in that Section to facilitate the sale of certain of their VRL Shares to VRC and the sale of Positive to HoldCo in connection with the Structure A Scheme.

As set out in Section 12.8 below, the executive Directors of VRL have agreed to the post-implementation board and executive arrangements listed in that Section to continue their employment with VRL.

22 More information regarding the Joint Bidding Agreement is set out in Sections 7 and 12.13.

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12.8 Post-Implementation Executive Arrangements

Mr Robert Kirby, Mr Graham Burke and Mr Clark Kirby will become directors of HoldCo, if the Structure A Scheme becomes Effective, or (in the case of Mr Robert Kirby and Mr Graham Burke) remain and (in the case of Mr Clark Kirby) become executive directors of VRL, if the Structure B Scheme becomes Effective. Below is a summary of the key terms of the engagement of these executive directors.

- **Mr Robert Kirby**: Mr Robert Kirby will be appointed from Implementation as the executive chairperson of HoldCo if the Structure A Scheme becomes Effective, or remain executive chairperson of VRL, if the Structure B Scheme becomes Effective. Under an employment agreement to be agreed, Mr Robert Kirby will be engaged for an initial term of 5 years and be entitled to total fixed remuneration of $1.25 million per annum and a discretionary bonus of up to 50% of his fixed remuneration. In accordance with the HoldCo Shareholders' Deed or VRL Shareholders' Deed (as applicable), Mr Robert Kirby may be removed from his executive position during his initial 5 year term by Special Majority Approval or by a simple majority Board decision for cause under his employment agreement or in certain circumstances where the HoldCo Group or VRL Group has underperformed (these circumstances are described in the HoldCo Shareholders' Deed and VRL Shareholders' as 'Agreed Circumstances').
- **Mr Graham Burke**: Mr Graham Burke will be appointed as the initial executive co-chair of HoldCo, if the Structure A Scheme becomes Effective, or VRL, if the Structure B Scheme becomes Effective. Under an employment agreement to be agreed, Mr Graham Burke will be engaged for an initial term of 3 years and be entitled to total remuneration of $250,000 per annum. Mr Graham Burke may be removed from his position during his initial 3 year term by Special Majority Approval or by a simple majority board decision where this is for cause under his employment agreement.
- **Mr Clark Kirby**: Mr Clark Kirby will be appointed as the Chief Executive Officer and Managing Director of HoldCo if the Structure A Scheme becomes Effective, or VRL, if the Structure B Scheme becomes Effective. Under an employment agreement to be agreed, Mr Clark Kirby will be entitled to total fixed remuneration of $1.5 million per annum and a discretionary bonus of up to 100% of the fixed remuneration. Mr Clark Kirby will be invited to participate in a management equity plan to be established post-Implementation. In accordance with the HoldCo Shareholders' Deed or VRL Shareholders' Deed (as applicable), Mr Clark Kirby may be removed from his position by Special Majority Approval or by a simple majority board decision for cause under his employment agreement or in certain circumstances where the HoldCo Group or VRL Group has underperformed (these circumstances are described in the HoldCo Shareholders' Deed and VRL Shareholders' as 'Agreed Circumstances').

12.9 Summary of Implementation Agreement

Overview	On 6 August 2020, VRL, VRC, BidCo and HoldCo entered into the Implementation Agreement. This agreement provides a contractual framework for proposing and implementing Each Alternative Scheme and related transactions. A summary of the key elements of the Implementation Agreement is set out below. This summary does not cover procedural obligations of the parties with respect to Each Alternative Scheme.
Conditions	The Implementation Agreement contains Conditions for Each Alternative Scheme. The Conditions are summarised in Section 2.9(b) and are set out in full in clauses 3 and 4 of the Implementation Agreement.
Exclusivity	The Implementation Agreement contains certain exclusivity arrangements in favour of BidCo. These arrangements are consistent with Australian market practice. They are summarised in Section 2.9(e) and are set out in full in clause 17 of the Implementation Agreement.
Break fees	Under the Implementation Agreement, the parties have agreed to certain break fee arrangements. These arrangements are consistent with Australian market practice. They are summarised in Section 2.9(f) and are set out in full in clauses 16.1 and 16.2 of the Implementation Agreement.
Representations and warranties	Under the Implementation Agreement, each of VRL, BidCo and VRC has given representations and warranties to the other parties which are customary for an agreement of this kind. These representations and warranties are set out in clause 11.1 (in the case of VRC), clause 11.3 (in the case of BidCo) and in clause 11.5 (in the case of VRL) of the Implementation Agreement.
Termination rights	Under the Implementation Agreement, the right of each of VRL and BidCo to terminate the Implementation Agreement are summarised in Section 7.6 and are set out in full in clause 14 of the Implementation Agreement.
Other	The Implementation Agreement contains a number of procedural related obligations and other market standard provisions including conduct of business restrictions that apply to the VRL Group between the date of signing and the Implementation Date (or the date the Implementation Agreement is validly terminated), access and information rights for BGH during this period, a process for VRL and BidCo engaging with counterparties to contracts entered into by the VRL Group, mutual releases and director and officer insurance arrangements.

12.10 Potential effect of Each Alternative Scheme on VRL's material contracts

If Either Alternative Scheme is implemented, a change of control of VRL will occur. It is possible that material contracts to which VRL is a party may be subject to pre-emptive rights, review or termination on a change of control due to the implementation of Either Alternative Scheme. As at the Last Practicable Date, VRL is not aware of any counterparty that may wish to review or terminate a material contract or that has indicated an intention to do so if Either Alternative Scheme is implemented. If any such contracts are terminated following the Implementation of Either Alternative Scheme, VRL would lose the benefit of the contract and may be unable to obtain similar terms on entry into replacement contracts (if such replacement contracts are available).

This risk should be considered by Shareholders who are considering making an Election under Either Alternative Scheme. This risk is not relevant to Shareholders who receive all Cash Consideration on implementation of Either Alternative Scheme.

12.11 VRL ESP Shares

All VRL Shares issued under the VRL Executive Share Plan and Loan Facility introduced in 1996 (ESP Shares) will be eligible to participate in Each Alternative Scheme. Any Scheme Consideration received by the holders of ESP Shares will be applied first to repay any principal loan amount and any accrued interest owing to VR ESP Finance Pty Ltd, with those holders being be entitled to receive the balance (if any) of the Scheme Consideration after such repayment. The VRL Board has resolved that VR ESP Finance Pty Ltd will not seek repayment from or take action against any holder of ESP Shares where the Scheme Consideration under Either Alternative Scheme is not sufficient to repay the outstanding principal loan amount and any accrued interest under the VRL Executive Share Plan and Loan Facility.

12.12 Disclosure of fees and other benefits

a. General

No person has paid or agreed to pay any amount, or provided or agreed to provide any benefit to a director or proposed director of VRL:

- to induce them to become or to qualify as a director of VRL; or
- for services provided by that person in connection with the formation or promotion of VRL.

Each of the persons named in this Section as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet will be entitled to receive professional fees charged in accordance with their normal basis of charging.

If Either Alternative Scheme is implemented, VRL expects to pay an aggregate of approximately $19.207 million (excluding GST) in transaction costs. These consist of fees and expenses for professional services paid or payable to:

- MinterEllison for acting as legal adviser to VRL;
- UBS and Stratford Advisory Group for acting as financial advisers to VRL;
- EY for providing accounting and taxation services to VRL;
- Grant Samuel & Associates Pty Limited for acting as the Independent Expert; and
- other adviser fees and transactional costs including general administrative fees, Scheme Booklet design, printing and distribution costs, expenses associated with convening and holding the Scheme Meetings, and Share Registry and other expenses.

None of these transaction costs include amounts to be paid to any director, officer or employee of VRL.

If Either Alternative Scheme is not implemented, VRL expects to pay an aggregate of approximately $7.007 million (excluding GST) in transaction costs, being costs that have already been incurred as at the date of this Scheme Booklet or will be incurred even if Either Alternative Scheme is not implemented.

b. Special exertion fees for IBC

As contemplated by clause 65.5 of the VRL constitution, the VRL Board has approved one-off special exertion fees totalling $300,000 plus applicable superannuation (in aggregate) for the members of the IBC, in recognition of their sustained increased workload and time commitment involved in evaluating and responding to change of control proposals. The IBC's work has included considering and responding to the non-binding indicative proposal received from PEP on 19 December 2019, considering and responding to the initial and revised non-binding indicative proposals from BGH on 24 January 2020 and 15 May 2020, facilitating PEP's and BGH's respective due diligence investigations, negotiating and agreeing the Transaction Process Deed, negotiating and agreeing the terms of the Each Alternative Scheme, including the terms and conditions of the Implementation Agreement and associated documents; engaging the Independent Expert; overseeing the preparation of this Scheme Booklet, preparing for the Scheme Meetings and, if Either Alternative Scheme becomes Effective, overseeing the implementation of the Relevant Scheme.

These special exertion fees are not conditional on Either Alternative Scheme being implemented.

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12.13 Regulatory relief

On 4 August 2020, ASIC granted relief to the Joint Bidders under section 655A of the Corporations Act in the form of an exemption from section 606 of the Corporations Act to enable the Joint Bidders to enter into the Joint Bidding Agreement, the Positive Sale Agreement and the VRC Principals Share Sale Agreements for the purpose of pursuing the transactions under the Structure A Scheme. Certain conditions were attached to the granting of the ASIC relief. The following is a summary of the material conditions:

- the Joint Bidders will immediately terminate the Joint Bidding Agreement if VRL Shareholders do not approve the Structure A Scheme or the Court makes a determination not to approve the Structure A Scheme where such determination is final and cannot be appealed;
- the Positive Sale Agreement and VRC Principals Share Sale Agreements must be terminated if, and promptly after, the Joint Bidding Agreement is terminated;
- the Joint Bidders must not, and must ensure that each of their associates do not, vote any shares in VRL in which they have a relevant interest at any meeting convened by order of the Court under section 411(1) of the Act to approve the Structure A Scheme; and
- the Joint Bidders must use their best endeavours to have VRL engage an independent expert to prepare a report, to be included in or to accompany the explanatory statement for the Structure A Scheme, on whether, in the expert's opinion, the Structure A Scheme is in the best interests of VRL shareholders not associated with the Joint Bidders or their respective associates.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period without obtaining shareholder approval. VRL has been advised by ASX that subject to formal confirmation by ASX's National Listing Committee, on an in-principle basis, ASX is likely to either confirm that Listing Rule 7.1 does not apply or if it does apply, grant a waiver from this Listing Rule requirement to permit, where the Structure B Scheme becomes Effective, the subscription by the BGH Fund entities (or one or more of their nominees) for additional VRL Shares on or about the Implementation Date referred to in Section 6.5(a).

12.14 Consents and disclaimers

The following parties have given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- MinterEllison as legal adviser to VRL;
- UBS for acting as financial adviser to VRL;
- Stratford Advisory Group for acting as financial adviser to VRL;
- EY for acting as taxation adviser to VRL;
- Grant Samuel & Associates Pty Limited for acting as the Independent Expert; and
- Computershare Investor Services Pty Ltd as the Share Registry.

BidCo has given, and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its consent, to the inclusion of the BidCo Information in this Scheme Booklet.

VRC has given, and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its consent, to the inclusion of the VRC Information in this Scheme Booklet.

EY has given, and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its consent, to the inclusion of Section 10 being the outline of the taxation implications of Each Alternative Scheme.

Grant Samuel & Associates Pty Limited has given, and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its consent, to the inclusion of statements attributed to it in the "*Potential reasons not to make any Election*" section and Sections 1, 2 and 3 of this Scheme Booklet in the form and context in which they are included and to the inclusion of the Independent Expert's Report set out in Appendix 1 to this Scheme Booklet.

Each of the above persons:

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than a statement or report included in this Scheme Booklet with the consent of that party;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than as described in this Scheme Booklet with the consent of that party; and
- except for BidCo and VRC, does not assume any responsibility for the accuracy, relevance or completeness of BidCo Information or VRC Information. The BidCo Information has been prepared by, and is the sole responsibility of, BidCo, HoldCo and BGH. The VRC Information has been prepared by, and is the sole responsibility of, VRC.

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12.15 Foreign jurisdictions

a. Structure A Scheme

Under the Structure A Scheme, an Election to receive HoldCo Shares is only open to VRL Shareholders with a registered address in Australia or its external territories or any other jurisdiction that VRL and HoldCo agree. Scheme Shareholders whose registered address is outside these jurisdictions will be Foreign Scheme Shareholders. HoldCo is not obliged to, and must not, issue HoldCo Shares as consideration to any Structure A Scheme Shareholder who is a Foreign Scheme Shareholder.

Foreign Scheme Shareholders are not entitled to make an Election under the Structure A Scheme. Foreign Scheme Shareholders who purport to make an Election under the Structure A Scheme will not receive HoldCo Shares. Their Scheme Consideration will instead be the Cash Consideration.

Refer to page 24 under the heading *Elections – important procedural aspects* for further information on making an Election under the Structure A Scheme.

b. Structure B Scheme

Elections under the Structure B Scheme are open to all VRL Shareholders irrespective of their registered address. Under the Structure B Scheme, an Election by a VRL Shareholder to retain their Scheme Shares can only be made for all (not some) of their VRL Shares.

Refer to page 24 under the heading *Elections – important procedural aspects* for further information on making an Election under the Structure B Scheme.

If the Structure B Scheme proceeds to be implemented and a Restructure Event occurs, BidCo is not required to issue HoldCo Shares where it would be required to issue a disclosure document (such as a prospectus) or it would be unlawful to issue the HoldCo Shares in the jurisdiction in which the Retaining Shareholder or the owner of the Eligible Holding Company (as applicable) is a resident in or otherwise has a nexus with. In these circumstances BGH may instead determine to pay cash consideration equal to the Structure B Cash Consideration less $0.10 per VRL Share.

12.16 Independent advice

VRL Shareholders should consult their financial, legal or other professional adviser if they have any queries regarding:

- the Structure A Scheme;
- the Structure B Scheme;
- the taxation implications for them if Either Alternative Scheme is implemented;
- the Independent Directors' recommendations and intentions in relation to Each Alternative Scheme, as set out in Section 2.2; or
- any other aspects of this Scheme Booklet.

VRL Shareholders may also contact the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time) with any queries they may have on Either Alternative Scheme.

12.17 No unacceptable circumstances

The VRL Board believes that Each Alternative Scheme does not involve any circumstances in relation to the affairs of VRL that could reasonably be characterised as constituting unacceptable circumstances for the purposes of section 657A of the Corporations Act.

12.18 Formula for entitlement to HoldCo Shares under the Structure A Scheme

The formula to be applied with respect to the HoldCo Shares to be issued as Structure A Scheme Consideration is as set out in the Structure A Scheme at Appendix 2 to this Scheme Booklet. The formula is one HoldCo Share for each VRL Share held as at the Structure A Scheme Record Date for which a valid Election has been made, and subject to the Structure A Share Floor and Structure A Scale Back.

This formula was agreed through negotiations between the IBC and BGH.

12.19 Other material information

Except as set out in this Scheme Booklet, in the opinion of the VRL Board, there is no other information material to the making of a voting decision in relation to Each Alternative Scheme or an investment decision in relation to making an Election under Either Alternative Scheme, being information that is within the knowledge of any VRL Director or of any related company of VRL, which has not been previously disclosed to VRL Shareholders.

VRL will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- a material statement in this Scheme Booklet that is false or misleading in a material respect;
- a material omission from this Scheme Booklet;

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- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter that has arisen and that would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, VRL may circulate and publish any supplementary document by any one or more of the following methods:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to VRL Shareholders at their registered address as shown in the Share Register; and/or
- posting a statement on VRL's corporate website,

as VRL in its absolute discretion considers appropriate, subject to any approval that may be required from the Court. In particular, where the matter is not materially adverse to VRL Shareholders such circulation and publication may be only by an announcement to ASX.

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13 GLOSSARY

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13. GLOSSARY

The following terms used in this Scheme Booklet have the meanings given to them below, unless the context otherwise requires.

Note: a number of terms defined in this Section have the meaning given to them in the Implementation Agreement which may be accessed electronically or received in hard copy free of charge (see Section 1.5).

Adviser	has the meaning given to that term in clause 1.1 of the Implementation Agreement
ADI or **authorised deposit-taking institution**	has the meaning given to that term by the *Banking Act 1959* (Cth)
Affiliate	has the meaning given to that term in clause 1.1 of the Implementation Agreement
Appendix	an Appendix to this Scheme Booklet
ASIC	the Australian Securities and Investments Commission
ASIC Instrument 2020/734	ASIC Corporations (Stub Equity in Control Transactions) Instrument 2020/734 dated 22 September 2020
ATO	Australian Taxation Office
Associate	has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Scheme Booklet and VRL was the designated body
ASX	ASX Limited (ABN 98 008 624 691) or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it
ASX Listing Rules	the official listing rules of ASX from time to time as modified by any express written waiver or exemption given by ASX
Australian Theatres Joint Venture	the joint venture established and operated pursuant to the joint venture agreement dated 26 May 1989, as varied from time to time, between Village Cinemas Australia Pty Ltd, The Greater Union Organisation Pty Ltd and Birch, Carroll & Coyle Limited
Authorised Person	has the meaning given to that term in clause 1.1 of the Implementation Agreement
BGH	BGH Capital Pty Ltd ACN 617 836 982, in its capacity as investment manager or adviser to the constituent entities of the BGH Capital Fund 1
BGH Director	initially from implementation of Either Alternative Scheme each of Ben Gray, Stephanie Charles and Matthew Claughton, and thereafter each individual nominated by: a. the BGH Shareholders and appointed as a director of HoldCo in accordance with the HoldCo Shareholders' Deed , where the Structure A Scheme; or b. BidCo and appointed as a director of VRL in accordance with the Structure B Shareholders' Deed, where the Structure B Scheme, has become Effective
BGH Fund	BGH Capital IA Pty Ltd in its capacity as trustee for BGH Capital Trust IA, BGH Capital IB Pty Ltd in its capacity as trustee for BGH Capital Trust IB and BGH Capital Offshore GP I Limited as general partner of BGH Capital Offshore I LP
BGH Second Ranking Loan	the Second Ranking Secured Loan Agreement between BGH Capital IA Pty Ltd (ACN 624 358 729) as trustee for BGH Capital Trust IA, BGH Capital IB Pty Ltd (ACN 624 359 244) as trustee for BGH Capital Trust IB and BGH Capital Offshore GP I Limited as general partner of BGH Capital Offshore I LP (and/or their affiliates) and VRL
BGH Shareholder	where the: a. Structure A Scheme becomes Effective, has the meaning given in the HoldCo Shareholders' Agreement; or b. Structure B Scheme becomes Effective, has the meaning given in the Structure B Shareholders' Agreement
BidCo	VRG Bidco Pty Limited ACN 642 862 422
BidCo Break Fee	has the meaning given to that term in clause 16.1(a) of the Implementation Agreement

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BidCo Group	BidCo, HoldCo and each of their Related Bodies Corporate (excluding, at any time, VRL and its Subsidiaries and Positive and its Subsidiaries to the extent that VRL and its Subsidiaries or Positive and its Subsidiaries are Subsidiaries of BidCo at that time). A reference to a member of the **BidCo Group** or a **BidCo Group Member** is a reference to BidCo, HoldCo or any such Related Bodies Corporate
BidCo Information	the information prepared by BidCo for inclusion in this Scheme Booklet and for which BidCo is responsible, being: a. Section 3 (under the heading 'BidCo Group'); b. Section 6 (except for Section 6.2, paragraphs (d), (e) and (f) in Section 6.8 and, to the extent it relates to any Positive Party, 6.9); c. Section 7; d. Section 8; e. Section 9.4; and f. Section 12.8
BidCo Parties	each member of the BidCo Group, BGH and their respective Related Bodies Corporate, Affiliates and Authorised Persons
BidCo Warranties	the representations and warranties of BidCo set out in clause 11.3 of the Implementation Agreement
Board or Board of Directors or VRL Board	the board of directors of VRL from time to time
Border Uplift Event	has the meaning given to that term in clause 1.1 of the Structure A Scheme and the Structure B Scheme (see Appendix 2 and Appendix 5 respectively to this Scheme Booklet)
Business Day	a day on which banks are open for general banking business in Melbourne, Victoria (not being a Saturday, Sunday or public holiday)
CGT	Capital Gains Tax
CHESS	the Clearing House Electronic Subregister System, the system established and operated by ASX Settlement Pty Ltd ABN 49 088 504 532
Chi-X	the financial market for trading in securities operated in Australia by Chi-X Australia Pty Ltd
Cash Consideration	the Structure A Cash Consideration or the Structure B Cash Consideration, as the context requires or permits
Cinema Business Locations	the cinema sites operated by: a. the VRL Group (including sites under the Australian Theatres Joint Venture); and b. each of The Greater Union Organisation Pty Ltd and Birch, Carroll & Coyle Limited under the Australian Theatres Joint Venture
Cinema Uplift Event	has the meaning given to that term in clause 1.1 of the Structure A Scheme and the Structure B Scheme (see Appendix 2 and Appendix 5 respectively to this Scheme Booklet)
closely related party	has the meaning given to that term by the Corporations Act
Competing Proposal	has the meaning given to that term in clause 1.1 of the Implementation Agreement
Conditions	the conditions set out in clause 3.1 of the Implementation Agreement in respect of the Structure A Scheme and the conditions set out in clause 4.1 of the Implementation Agreement in respect of the Structure B Scheme, and Condition means any one of them
Corporations Act	the *Corporations Act 2001* (Cth)
Corporations Regulations	the *Corporations Regulations 2001* (Cth)
Counter Proposal	has the meaning given in clause 17.7(b) of the Implementation Agreement
Court	the Federal Court of Australia (Victoria registry)
Debt Financing Agreements	the existing financing agreements agreed in a letter between VRL and BGH dated on or about the date of the Implementation Agreement
Delivery Time	in relation to the Second Court Date, 2 hours before the commencement of the hearing (or if the commencement of the hearing is adjourned, 2 hours before the commencement of the adjourned hearing), of the Court to approve the Structure A Scheme or the Structure B Scheme in accordance with section 411(4)(b) of the Corporations Act

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Direct Seller	each party identified as a "Seller" in a VRC Principals Share Sale Agreement, being each of: a. C&J Kirby Investments Pty Ltd (ACN 151 761 992); b. Graham Burke; c. GW Burke Investments Pty Ltd (ACN 602 447 058); d. GWB Superannuation Pty Ltd (ACN 131 786 224); e. JRK Retirement Nominees Pty Ltd (ACN 073 168 279); f. RAB Superannuation Pty Ltd (ACN 131 795 769); g. RGK Retirement Nominees Pty Ltd (ACN 073 168 297); h. RGK Superannuation Pty Ltd (ACN 131 829 233); and i. Robert Kirby Investments Pty Ltd (ACN 167 272 728)
Due Diligence Material	has the meaning given to that term in clause 1.1 of the Implementation Agreement
Each Alternative Scheme	the Structure A Scheme and the Structure B Scheme
EBITDA	earnings before interest, tax, depreciation and amortisation
Effective	when used in relation to the Structure A Scheme or the Structure B Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Structure A Scheme or the Structure B Scheme (as relevant)
Effective Date	the date on which the Structure A Scheme or the Structure B Scheme (as relevant) becomes Effective. The Effective Date is currently expected to be Monday, 7 December 2020
Either Alternative Scheme	the Structure A Scheme or the Structure B Scheme
Election	an election by a VRL Shareholder, in respect of the: a. Structure A Scheme, to receive either: i. in relation to 50% of their Structure A Scheme Shares, Scheme Consideration in the form of HoldCo Shares and in relation to the remainder of their Structure A Scheme Shares, Scheme Consideration in the form of cash (such Election, **Partial Election**); ii. in relation to 100% of their Structure A Scheme Shares, Scheme Consideration in the form of HoldCo Shares (such Election, **Maximum Election**); or b. Structure B Scheme, to retain 100% of their Structure B Scheme Shares and not transfer those shares to BidCo under the Structure B Scheme
Election Date	5.00pm on the date that is seven clear days before the Proxy Cut-Off Date
Election Form	either the Structure A Election Form, the Structure B Election Form or both, as the context requires or permits
Eligible Holding Company	has the meaning given in the Structure B Shareholders' Deed, and is effectively, in respect of a Retaining Shareholder, the Retaining Shareholder or its holding company (provided that this holding company meets certain requirements summarised in Section 8.2(e))
Eligible Structure A Scheme Shareholder	a Structure A Scheme Shareholder that is neither an Excluded Shareholder nor a Foreign Scheme Shareholder
End Date	a. 31 March 2021; or b. such other date and time agreed in writing between VRL and BidCo
EV	enterprise value
EY	Ernst & Young
Exclusivity Period	the period commencing on the date of the Implementation Agreement and ending on the earliest of: a. the End Date; b. the Effective Date of the Structure A Scheme or Structure B Scheme (as applicable); and c. the date the Implementation Agreement is terminated in accordance with its terms

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Film Deferral Event	means, in respect of the period commencing on 6 August 2020 and ending on the day that is 11 days prior to the Proxy Cut-Off Date, any three or more films (**Deferred Films**), from a list of titles that have been agreed by VRL and BGH on 6 August 2020, have had any of the following occur: a. the scheduled release in Australia for physical distribution, video on demand, subscription services, electronic sell through or free to air is before the date that is 17 days following the first full day release of the film for cinema exhibition at a venue operated by the VRL Group or another party under the Australian Theatres Joint Venture; b. the film is no longer intended to be released for cinema exhibition in Australia; c. the scheduled release for cinema exhibition in Australia is deferred indefinitely; d. the scheduled release for cinema exhibition in Australia is deferred without a revised date; or e. the scheduled release for cinema exhibition in Australia is deferred into the financial year ending 30 June 2022 or a later financial year, and, in accordance with the formula below, A > D, where, f. A = (B X C) + $15 million; g. B = the aggregate estimated box office value of the Deferred Films (as agreed by VRL and BGH on 6 August 2020) divided by the number of Deferred Films; h. C = the number of Deferred Films – 2; and i. D = the aggregate estimated box office value (determined by VRL acting reasonably) of all films that individually have an estimated box office value of $15 million or more (determined by VRL acting reasonably) which have been added after the date of this agreement to the film slate for the financial year ending 30 June 2021 (but were not in the list of films agreed by VRL and BGH on 6 August 2020 or otherwise listed in the excel file entitled "FY21 Box Office Titles (Revised 30 July)" contained in the Due Diligence Materials)
Financial Close	the drawdown date of the loan to be provided by the BGH Fund entities to VRL pursuant to the BGH Second Ranking Secured Loan, which is expected to be on the Implementation Date
First Court Date	the Court hearing on Friday, 9 October 2020, at which the Court made orders under Section 411(1) of the Corporations Act convening the Structure A Scheme Meeting and the Structure B Scheme Meeting
Foreign Scheme Shareholder	a Structure A Scheme Shareholder whose address as shown in the VRL Register (as at the Structure A Scheme Record Date is located outside of: a. Australia and its external territories; and b. any other jurisdictions as may be agreed in writing by VRL and HoldCo, unless HoldCo determines (in its absolute discretion), that HoldCo is permitted to allot and issue HoldCo Shares to that Scheme Shareholder by the laws of that place either unconditionally or after compliance with conditions that HoldCo considers are not unduly onerous or impracticable
FY19	the financial year ended 30 June 2019
FY20	the financial year ending 30 June 2020
Governmental Agency	has the meaning given to that term in clause 1.1 of the Implementation Agreement
GST	Goods and Services Tax
HC Group	has the meaning given in the Structure B Shareholders' Deed, and is effectively an Eligible Holding Company of a Retaining Shareholder and its wholly owned subsidiaries
Headcount Test	the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Structure A Scheme at the Structure A Scheme Meeting or the Structure B Share Scheme at the Structure B Scheme Meeting is passed by a majority in number of VRL Shareholders (excluding Structure A Excluded Shareholders in the case of the Structure A Scheme) present and voting, either in person or by proxy
HoldCo	VRG Holdco Limited ACN 642 854 313
HoldCo Board	the board of directors of HoldCo from time to time
HoldCo Constitution	the constitution of HoldCo, from time to time
HoldCo Group	HoldCo and each of its Related Bodies Corporate (including, where the Structure A Scheme becomes Effective, VRL and its Subsidiaries and Positive and its Subsidiaries to the extent that VRL and its Subsidiaries or Positive and its Subsidiaries are Subsidiaries of BidCo at that time)

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HoldCo Prescribed Occurrence	the occurrence of an Insolvency Event in relation to HoldCo or BidCo
HoldCo Share	a fully paid ordinary share in HoldCo to be issued under the terms of the Structure A Scheme as Structure A Scheme Consideration
HoldCo Shareholders	a shareholder in HoldCo
IBC	the Independent Board Committee of the VRL Board
Implementation Agreement	the agreement dated 6 August 2020 between VRL, VRC, BidCo and HoldCo and released to ASX on 7 August 2020, as amended on 7 October 2020
Implementation Date	the date the Relevant Scheme is implemented, being either the Structure A Implementation Date or the Structure B Implementation Date
Independent Board Committee or IBC	the committee of the Board of VRL comprising the Independent Directors which was established for the purposes of (among other things) evaluating and overseeing Each Alternative Scheme
Independent Directors	all of the directors of VRL except for Robert Kirby, Graham Burke and John Kirby
Independent Expert	Grant Samuel & Associates Pty Limited ABN 28 050 036 372 AFSL 240985
Independent Expert's Report	the report from the Independent Expert (a full copy of which is set out in Appendix 1 to this Scheme Booklet), and any update to such report that the Independent Expert issues
Initial BGH Proposal	the non-binding indicative proposal from BGH that VRL announced to ASX on 24 January 2020
Insolvency Event	has the meaning given to that term in clause 1.1 of the Implementation Agreement
ITAA 1997	*Income Tax Assessment Act 1997* (Cth)
Joint Bidders	BGH, Holdco, BidCo, VRG A Pty Limited, VRG B Pty Limited, VRG Mezzco Pty Limited, VRC, Positive, VRC Investment Co Pty Ltd, John Kirby, Robert Kirby and Graham Burke
Joint Bidding Agreement	the agreement between BGH, HoldCo, BidCo, Positive, VRC, John Kirby, Robert Kirby and Graham Burke dated 6 August 2020, a copy of which is annexed to the Form 603 Notice of Initial Substantial Holder given to ASX by BGH on 6 August 2020, which are available in electronic form from www.asx.com.au
Large Shareholder	any VRL Shareholder (other than VRC and the VRC Principals) who has made a valid Election under the Structure B Scheme and who, without coming together collectively with any other VRL Shareholder, will hold a sufficient number of VRL Shares immediately after the Structure B Scheme is implemented to rely on rights under the VRL Shareholders' Deed which are only available to VRL Shareholders who hold 7.5% or more of the VRL Shares on issue
Last Practicable Date	5 October 2020, being the last practicable day before finalising the information to which this definition relates
Liquidity Facility	the agreement entitled "Liquidity and Capex Syndicated Facility Agreement" dated 6 August 2020 between, amongst others, Village Roadshow Treasury Pty Limited (as Borrower) and Australia and New Zealand Banking Group Limited (as Agent) and ANZ Fiduciary Services Pty Limited (as Security Trustee)
Listing Rules	the official listing rules of ASX
Material Adverse Change	has the meaning given to that term in clause 1.1 of the Implementation Agreement
Maximum Election	has the meaning given in the definition of Election
Nominee	the independent third party trustee company appointed from time to time by: a. HoldCo to hold HoldCo Shares on bare trust in accordance with the HoldCo Shareholders' Deed; or b. VRL to hold VRL Shares on bare trust in accordance with the Structure B Shareholders' Deed, and the applicable Nominee Deed
Nominee Deed	any nominee deed entered into on or about the date of: a. the HoldCo Shareholders' Deed by HoldCo substantially in the form set out in Schedule 4 of the HoldCo Shareholders' Deed; or b. the Structure B Shareholders' Deed by VRL substantially in the form set out in Schedule 5 of the VRL Shareholders' Deed
Non-VRC Shareholders	VRL Shareholders other than VRC and the VRC Principals
Other Shareholder	has the meaning given in the HoldCo Shareholders' Agreement

Participating Directors	initially from implementation of Either Alternative Scheme each of Robert Kirby, Graham Burke and Clark Kirby, and thereafter each individual nominated by: a. certain Participating Shareholders to the HoldCo Board in accordance with the HoldCo Shareholders' Deed, where the Structure A Scheme; or b. the Retaining Shareholders to the VRL Board in accordance with the Structure B Shareholders' Deed, where the Structure B Scheme, has become Effective
Participating Shareholders	has the meaning given in the HoldCo Shareholders' Agreement
PEP	Pacific Equity Partners Pty Ltd
Partial Election	has the meaning given in the definition of Election
Permitted Transferee	has the meaning given in the: a. the HoldCo Shareholders' Deed, if the Structure A Scheme is implemented; or b. the Structure B Shareholders' Deed by VRL, if the Structure B Scheme is implemented
Positive	Positive Investment Pty Ltd ACN 152 518 824
Positive Parties	each member of the VRC Group and their associates, other than any party with whom it is an associated solely because of the Structure A Ancillary Agreements
Positive Proportionate Consideration	has the meaning given in Section 7.2(a)(iv)
Positive Sale Agreement	the share sale agreement entered into between HoldCo, BidCo, each shareholder in Positive, Positive and the VRC Principals pursuant to which the shareholders in Positive agree to sell all of their shares in Positive subject to the Structure A Scheme becoming Effective
PPSA	the *Personal Property Securities Act 2009* (Cth)
Proposed Transaction	the proposed acquisition by one or more affiliates of BGH, directly or indirectly, of control of VRL under Either Alternative Scheme, together with all associated transactions and steps contemplated by the Implementation Agreement
Proxy Cut-Off Date	the last day on which proxies must be lodged for the Scheme Meeting being (11.00am on Tuesday, 24 November 2020)
Proxy Form	either the Structure A Proxy Form, the Structure B Proxy Form or both, as the context requires or permits
Registered Address	in relation to a VRL Shareholder, the address shown in the VRL Register as at the Structure A Scheme Record Date or the Structure B Scheme Record Date (as applicable)
Related Body Corporate	of a person means a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted
relevant interest	has the meaning given in the Corporations Act
Relevant Deed Poll	the Structure A Scheme Deed Poll or the Structure B Scheme Deed Poll, as the context requires or permits
Relevant Scheme or Scheme	the Structure A Scheme or the Structure B Scheme, as the context requires or permits
Relevant Scheme Record Date	the Structure A Scheme Record Date or the Structure B Scheme Record Date, as the context requires or permits
Relevant Shareholders' Deed	the Structure A Shareholders' Deed or the Structure B Shareholders' Deed, as the context requires or permits
Restructure Event	has the meaning given in the Structure B Shareholders' Deed
Restructure Event Completion	has the meaning given in the Structure B Shareholders' Deed, and is summarised in Section 8.2(e) of this Scheme Booklet
Restructure Consideration	in relation to the Restructure Event, the consideration payable to each Retaining Shareholder as described in Section 8.2(e) of this Scheme Booklet

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Reserved Matters	has the meaning given in the: a. the HoldCo Shareholders' Deed, if the Structure A Scheme is implemented, and are summarised in Section 7.4(b)(iv); or b. the Structure B Shareholders' Deed by VRL, if the Structure B Scheme is implemented, and are summarised in Section 8.4(d)
Retained Shares	has the meaning given to that term in clause 1.1 of the Structure B Scheme (see Appendix 5 to this Scheme Booklet)
Retaining Shareholder	a Structure B Scheme Shareholder that has validly elected to retain Retained Shares in accordance with the terms of the Structure B Scheme
Revised BGH Proposal	the revised non-binding indicative proposal from BGH that VRL announced to ASX on 18 May 2020
RG 60	Regulatory Guide 60 issued by ASIC
Scheme Booklet	this Scheme Booklet dated 12 October 2020 in relation to Each Alternative Scheme
Scheme Consideration	either the Structure A Scheme Consideration or the Structure B Scheme Consideration, as the context requires or permits
Scheme Meeting	either the Structure A Scheme Meeting or the Structure B Scheme Meeting, as the context requires or permits
Scheme Meetings	the Structure A Scheme Meeting and the Structure B Scheme Meeting
Scheme Record Date	either the Structure A Scheme Record Date or the Structure B Scheme Record Date, as the context requires or permits
Scheme Shareholder	either a Structure A Scheme Shareholder or a Structure B Scheme Shareholder, as the context requires or permits
Second Court Date	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Structure A Scheme or the Structure B Scheme (or both) is heard or scheduled to be heard or, if the application is adjourned for any reason, the date on which the adjourned application is heard or scheduled to be heard. This day is currently proposed to be Friday, 4 December 2020
Section	a section of this Scheme Booklet
Senior Facilities	a. the Term Syndicated Facility Agreement dated 19 December 2018 (as amended from time to time) between, among others, VRL and others as Borrowers, the Lenders named in schedule 1, Australia and New Zealand Banking Group Limited (as Agent) and ANZ Fiduciary Services Pty Ltd (as Security Trustee); b. the Revolving Syndicated Facility Agreement dated 19 December 2018 (as amended from time to time) between, among others, VRL and others as Borrowers, Lenders named in schedule 1, Australia and New Zealand Banking Group Limited (as Agent) and ANZ Fiduciary Services Pty Ltd (as Security Trustee); c. the transactional facility agreement dated 2 February 2016 (as amended from time to time) between VRL and others (as Borrowers) as borrowers and Australia and New Zealand Group Limited (as Lender); and d. the bilateral facility agreement dated 22 January 2016 (as amended from time to time) between Village Roadshow Theme Parks Pty Ltd (as Borrower) and National Australia Bank Limited (as Lender)
Senior Lenders	has the meaning given to the term "Lenders" (or its equivalent term) in the Senior Facilities
Share Registry or Computershare	Computershare Investor Services Pty Ltd of Yarra Falls, 452 Johnston St, Abbotsford VIC 3067 or any replacement provider of share registry services to VRL
Special Majority Approval	has the meaning given in the: a. the HoldCo Shareholders' Deed, if the Structure A Scheme is implemented, summarised in Section 7.4(b)(iv); or b. the Structure B Shareholders' Deed by VRL, if the Structure B Scheme is implemented, summarised in Section 8.4(d)

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Structure A Ancillary Agreements	a. the Subscription Agreement; b. the Positive Sale Agreement; c. the VRC Principals Share Sale Agreements; d. the Structure A Shareholders' Deed; and e. the Joint Bidding Agreement entered into between BGH, HoldCo, BidCo, Positive, VRC and the VRC Principals on or about the date of the Implementation Agreement
Structure A Cash Consideration	$2.20, unless the Theme Parks Uplift Event occurs, in which case it means $2.32 for each Structure A Scheme Share
Structure A Election Form	the Election Form for the Structure A Scheme accompanying this Scheme Booklet or, as the context requires, any replacement or substitute Election Form provided by or on behalf of VRL
Structure A Excluded Shareholder	a. VRC; or b. a VRC Principal
Structure A Implementation Date	Wednesday, 16 December 2020 or such other date as VRL and BidCo agree
Structure A Proxy Form	the Proxy Form for the Structure A Scheme Meeting accompanying this Scheme Booklet or, as the context requires, any replacement or substitute Proxy Form provided by or on behalf of VRL
Structure A Scale Back	the scale back mechanism that applies where Structure A Scheme Shareholders that have made valid Elections that are in respect of Structure A Scheme Shares that are greater than the Structure A Share Cap, as described in paragraph (b) of the definition of "Structure A Scheme Consideration" in clause 1.1 of the Structure A Scheme (see Appendix 2 to this Scheme Booklet)
Structure A Scheme or Structure A Scheme of Arrangement	the proposed scheme of arrangement under Part 5.1 of the Corporations Act between VRL and Structure A Scheme Shareholders in respect of all Structure A Scheme Shares, as set out in Appendix 2 to this Scheme Booklet or in such other form as the parties agree in writing, subject to any alterations or conditions that are: a. agreed to in writing by VRL, VRC and BidCo, and approved by the Court; or b. made or required by the Court under section 411(6) of the Corporations Act and agreed to by VRL and BidCo
Structure A Scheme Consideration	has the meaning given to that term in clause 1.1 of the Structure A Scheme (see Appendix 2 to this Scheme Booklet)
Structure A Scheme Deed Poll	the deed poll executed by VRC, HoldCo and VRL on 7 October 2020 in relation to the Structure A Scheme, in which VRC and HoldCo covenant in favour of the Scheme Shareholders to perform the actions attributed to them in accordance with the Structure A Scheme. A copy of the executed Structure A Scheme Deed Poll is reproduced in Appendix 3 to this Scheme Booklet
Structure A Scheme Meeting	the meeting of VRL Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Structure A Scheme and includes any meeting convened following any adjournment or postponement of that meeting. The notice convening the Structure A Scheme Meeting is contained in Appendix 4 to this Scheme Booklet
Structure A Scheme Record Date	7.00pm on Wednesday, 9 December 2020 or such other Business Day as VRL and BidCo agree in writing
Structure A Scheme Resolution	the resolution to be put to VRL Shareholders (other than Excluded Shareholders) to approve the Structure A Scheme at the Structure A Scheme Meeting
Structure A Scheme Share	a VRL Share on issue as at the Structure A Scheme Record Date
Structure A Scheme Shareholder	a person who holds one or more Structure A Scheme Shares other than a Structure A Excluded Shareholder
Structure A Scrip Consideration	the HoldCo Shares to be issued to Structure A Scheme Shareholders who have made a valid election under the Structure A Scheme
Structure A Share Cap	29,287,889 VRL Shares representing 15% of all VRL Shares on issue as at the date of the Implementation Agreement
Structure A Share Floor	9,762,630 VRL Shares representing 5% of all VRL Shares on issue as at the date of the Implementation Agreement
Structure A Shareholders' Deed or HoldCo Shareholders' Deed	the Shareholders' Deed in relation to HoldCo if the Structure A Scheme is implemented. VRL Shareholders may request that a copy of the HoldCo Shareholders' Deed be sent to them either in hard copy or electronically by contacting the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time)

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Structure B Cash Consideration	$2.10, unless the Theme Parks Uplift Event occurs, in which case it means $2.22 for each Transferring Share
Structure B Election Form	the Election Form for the Structure B Scheme accompanying this Scheme Booklet or, as the context requires, any replacement or substitute Election Form provided by or on behalf of VRL
Structure B Implementation Date	Wednesday, 16 December 2020 or such other date as VRL, VRC and BidCo agree
Structure B Proxy Form	the Proxy Form for the Structure B Scheme Meeting accompanying this Scheme Booklet or, as the context requires, any replacement or substitute Proxy Form provided by or on behalf of VRL
Structure B Retention Cap	97,626,298 VRL Shares representing 50% of all VRL Shares on issue as at the date of this Scheme Booklet
Structure B Scale Back	the mechanism described in clause 6.2 of the Structure B Scheme
Structure B Scheme or **Structure B Scheme of Arrangement**	the proposed scheme of arrangement under Part 5.1 of the Corporations Act between VRL and Structure B Scheme Shareholders in respect of all Structure B Scheme Shares, as set out in Appendix 5 to this Scheme Booklet, subject to any alterations or conditions that are: a. agreed to in writing by VRL and BidCo, and approved by the Court; or b. made or required by the Court under section 411(6) of the Corporations Act and agreed to by VRL and BidCo
Structure B Scheme Consideration	in respect of a Structure B Scheme Shareholder means the Structure B Cash Consideration multiplied by each Transferring Share held by that Structure B Scheme Shareholder
Structure B Scheme Deed Poll	the deed poll executed by BidCo and VRL on 7 October 2020 in relation to the Structure B Scheme, in which BidCo covenants in favour of the Scheme Shareholders to perform the actions attributed to it under the Structure B Scheme. A copy of the executed Structure B Scheme Deed Poll is reproduced in Appendix 6 to this Scheme Booklet
Structure B Scheme Meeting	the meeting of the VRL Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Structure B Scheme and includes any meeting convened following any adjournment or postponement of that meeting. The notice convening the Structure B Scheme Meeting is contained in Appendix 10 to this Scheme Booklet
Structure B Scheme Record Date	7.00pm on Wednesday, 9 December 2020 or such other Business Day as VRL and BidCo agree in writing
Structure B Scheme Resolution	the resolution to be put to VRL Shareholders to approve the Structure B Scheme at the Structure B Scheme Meeting
Structure B Scheme Share	a Share on issue as at the Structure B Scheme Record Date
Structure B Scheme Shareholder	a person who holds one or more Structure B Scheme Shares
VRL Shareholders' Deed or Structure B Shareholders' Deed	the proposed Shareholders' Deed in relation to VRL if the Structure B Scheme is implemented. VRL Shareholders may request that a copy of the VRL Shareholders' Deed be sent to them either in hard copy or electronically by contacting the VRL Shareholder Information Line on 1300 163 094 within Australia or +61 3 9415 4151 if outside Australia Monday to Friday between 8.30am and 5.30pm (Melbourne time)
Substantial Shareholder	has the meaning given in the Structure B Shareholders' Deed, and is effectively each Retaining Shareholder that holds 5% or more of the VRL Shares on issue from time to time
Subscription Agreement	the document so titled between (among other parties) Affiliates of BGH, HoldCo, BidCo and VRC under which Affiliates of BGH agreed to subscribe for shares in HoldCo, among other things
Subsidiary	has the meaning given to that term in section 46 of the Corporations Act
Superior Proposal	has the meaning given to that term in clause 1.1 of the Implementation Agreement
Theme Parks Uplift Event	has the meaning given to that term in clause 1.1 of the Structure A Scheme and the Structure B Scheme (see Appendix 2 and Appendix 5 respectively to this Scheme Booklet)
Transferring Shareholder	each Scheme Shareholder that will transfer Transferring Shares to BidCo in accordance with the Structure B Scheme
Transferring Shares	all Structure B Scheme Shares held by each Structure B Scheme Shareholder that are not Retained Shares
Trust Account	an Australian dollar denominated trust account operated by VRL as trustee for the benefit of either the Structure A Scheme Shareholders or the Structure B Scheme Shareholders (as applicable)

Voting Entitlement Time	the date for determining voting eligibility at the Scheme Meetings, being (7.00pm on Tuesday, 24 November 2020)
Voting Power	has the meaning given in section 610 of the Corporations Act
VRC	Village Roadshow Corporation Pty Ltd ACN 004 318 610
VRC Break Fee	has the meaning given to that term in clause 16.2(a) of the Implementation Agreement
VRC Group	VRC and each of its Related Bodies Corporate (excluding, at any time, VRL and its Subsidiaries to the extent that VRL and its Subsidiaries are Subsidiaries of VRC at that time or BidCo Group Members to the extent that they are holding companies of VRC). A reference to a member of the **VRC Group** or a **VRC Group Member** is a reference to VRC or any such Related Bodies Corporate
VRC Group Prescribed Occurrence	the occurrence of an Insolvency Event in relation to each member of the VRC Group
VRC Information	the information prepared by VRC for inclusion in this Scheme Booklet and for which VRC is responsible, being: a. Section 1.7; b. Section 2.4; c. Section 3 (under the heading 'VRC Related Directors' Recommendations and Intentions') d. Section 6.2; e. paragraphs (d), (e) and (f) in Section 6.8; and f. to the extent it relates to any Positive Party, 6.9
VRC Principals	Robert Kirby, Graham Burke and John Kirby and includes a closely related party of any of them but does not include VRC
VRC Principals Share Sale Agreements	each document so titled to be entered into between VRC, HoldCo and each of the VRC Principals or their Affiliates under which VRC agrees to purchase, and the VRC Principals or their Affiliates agree to sell all the VRL Shares which are held or beneficially owned by the VRC Principals or their respective Affiliates
VRC Related Directors	Robert Kirby, Graham Burke and John Kirby in their capacity as VRL Directors
VRC Warranties	the representations and warranties of VRC set out in clause 11.1 of the Implementation Agreement
VRL or Company	Village Roadshow Limited ACN 010 672 054
VRL Board	the board of directors of VRL (comprising as at the date of this Scheme Booklet the VRC Principals and the Independent Directors)
VRL Break Fee	has the meaning given to that term in clause 15.3(a) of the Implementation Agreement
VRL Director	a director of VRL as at the date of this Scheme Booklet
VRL Group	VRL and each of its Related Bodies Corporate (excluding, at any time, HoldCo and its Subsidiaries and Positive and its subsidiaries to the extent that HoldCo and its Subsidiaries or Positive and its subsidiaries are holding companies (as defined in the Corporations Act) of BidCo at that time). A reference to a member of the VRL Group or a VRL Group Member is a reference to VRL or any such Related Bodies Corporate
VRL Information	all information in this Scheme Booklet other than: a. BidCo Information; b. VRC Information; c. Section 10 being the outline of the taxation implications of Each Alternative Scheme; and d. the information contained in the Independent Expert's Report
VRL Prescribed Occurrence	has the meaning given to that term in clause 1.1 of the Implementation Agreement
VRL Register	the register of shareholders maintained by VRL under section 168(1) of the Corporations Act
VRL Share	an issued fully paid ordinary share in the capital of VRL
VRL Shareholder	each person who is registered in the VRL Register as a holder of VRL Shares
VRL Warranty or VRL Warranties	the representations and warranties of VRL set out in clause 11.5 of the Implementation Agreement
VWAP	volume weighted average price

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APPENDIX 1

INDEPENDENT EXPERT'S REPORT

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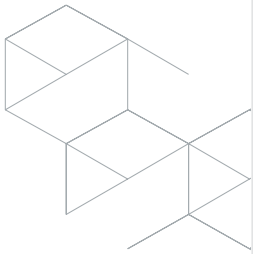

10 October 2020

The Independent Board Committee
Village Roadshow Limited
Level 1, 500 Chapel Street
South Yarra VIC 3141

Dear Independent Board Committee members

Proposed Acquisition of Village by BGH

1 Introduction

Village Roadshow Limited ("Village" or "the Company") is a significant participant in the Australian leisure and entertainment sector, with market leading positions in theme parks and cinemas. Listed on the Australian Securities Exchange ("ASX"), as of 11 September 2020 Village had a market capitalisation of approximately A$410 million.

BGH Capital Pty Ltd (together with its affiliates, "BGH") is an Australian private equity firm.

On 6 August 2020, Village announced that it had entered into an Implementation Agreement with Village Roadshow Corporation Pty Limited ("VRC") and entities associated with funds managed by BGH, under which BGH is to acquire control of Village ("Transaction"). VRC is an entity associated with Messrs John and Robert Kirby and Graham Burke, all long serving directors and former senior executives of Village. VRC holds approximately 39.91% of the shares in Village.

The announcement of the Transaction followed Village's announcement on 19 December 2019 that Pacific Equity Partners Pty Ltd ("PEP") had made an indicative, non-binding proposal to acquire Village for a cash price of $3.90 per Village share, and a subsequent announcement 24 January 2020 that BGH had made an indicative, non-binding proposal to acquire Village for a cash price of $4.00 per Village share[1].

Following the emergence of the COVID-19 pandemic in February 2020, both of these proposals were withdrawn. The trading performance of Village's core businesses (Theme Parks and Cinema Exhibition) declined precipitously in the period February to June 2020, as a result of restrictions on public gatherings and interstate travel imposed in response to the COVID-19 pandemic. From having been on track to match 2019 performance, Village reported a loss of $123 million for the year to 30 June 2020, a reduction of approximately $113 million compared to the result for the year to 30 June 2019. Village expects that COVID-19 will continue to have a material adverse impact on its operational and financial performance, with operating cash flows for the year to 30 June 2021 expected to be approximately neutral, before capital expenditures of around $70-75 million.

On 18 May 2020, Village announced that it was entering into exclusive negotiations with BGH, which culminated in the announcement of the Transaction on 6 August 2020.

The Transaction is to be given effect by one of two alternative schemes of arrangement (each a "Scheme"). Under the first Scheme ("Structure A"), Village shareholders (other than certain excluded Village shareholders, principally VRC) will be entitled to receive:

[1] Both the PEP and BGH indicative, non-binding proposals contemplated alternative structures in which Village shareholders could elect to take part of the offer consideration in the form of unlisted equity in the continuing Village business.

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- a base cash offer price of $2.20 per share; and
- an additional contingent cash payment of $0.12 per share ("Theme Parks Uplift").

The Theme Parks Uplift will be payable in the event that the Warner Bros. Movie World and Sea World theme parks are open to the public for a period of five business days ending at 4pm on the day that is eleven days prior to the proxy cut-off date for the proposed shareholder meeting to vote on the Scheme ("Relevant Period"). The theme parks are currently open to the public. If this continues through the Relevant Period, the total cash consideration available to Village shareholders under Structure A will be $2.32 per share.

An additional amount of $0.05 per share ("Border Uplift") is also potentially payable, conditional on the absence of any border control measures imposed by the Queensland State government prohibiting any person from entering Queensland from New South Wales on 1 November 2020 and from Victoria on 15 November 2020. Village considers that, particularly given the current COVID-19 restrictions in place in Victoria, it is unlikely that the Border Uplift conditions will be met.

A further additional amount of $0.08 per share ("Cinema Uplift") was originally potentially payable to Village shareholders, conditional on a majority of the Cinemas business locations (representing 75% of the Cinemas business revenue in FY19[2]) being open to the public for the Relevant Period and there being no significant changes to the expected movie slate for the remainder of FY21. On 25 September 2020 Village announced that the scheduled release of three films had been deferred, triggering the relevant condition. As a consequence the Cinema Uplift is not expected to be payable.

As an alternative to the cash consideration (base offer price and contingent Theme Parks Uplift), shareholders will be entitled to make either a partial or full election to receive as consideration (subject to certain limitations) shares in an unlisted company that will be controlled by BGH and will (though interposed entities) hold 100% of the shares in Village ("HoldCo"). Scheme shareholders will be entitled to receive their consideration as 100% cash, 50% cash and 50% shares in HoldCo, or 100% shares in HoldCo. The overall issuance of shares in HoldCo to Scheme shareholders other than VRC will be subject to a maximum of 15% and a minimum of 5% of the Village shares on issue. If Scheme shareholders other than VRC collectively apply for shares representing more than 15% of the shares in Village, they will be subject to scale back. If the collective application is less than 5%, no HoldCo shares will be issued to Scheme shareholders, and instead the consideration will be 100% cash.

Scheme shareholders who elect to receive HoldCo shares will agree to be bound by a HoldCo shareholders deed. If there are, or would be on implementation, more than 50 HoldCo shareholders, Scheme shareholders will agree to have their HoldCo shares held on their behalf by an independent nominee.

Under the second scheme ("Structure B"), Village shareholders will be entitled to receive a base cash offer price of $2.10 per share and the contingent Theme Park Uplift of $0.12 per share as for Structure A. As an alternative, shareholders will be entitled to elect to continue to hold all their shares in Village (subject to scaling back). BGH will hold at least 50% of the shares in Village, which will be de-listed from the ASX shortly after implementation of Structure B. Shareholders who elect to continue to hold their Village shares will agree to be bound by a shareholders' deed and, if there are more than 50 Village shareholders, agree to have their shares transferred to an independent nominee and held on a bare trust by an independent nominee.

Structure A and Structure B will be submitted to Village shareholders as concurrent alternative proposed transactions, and on the basis that Structure B will only proceed if Structure A is not approved.

[2] FY19 refers to the financial year ended 30 June 2019. FYXX refers to the financial year ending 30 June 20XX.

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The Independent Board Committee of Village ("IBC") has requested that Grant Samuel & Associates Pty Limited ("Grant Samuel") prepare an independent expert's report for inclusion in the Scheme Booklet to be sent by Village to its shareholders. The expert's report will state whether each component of the proposed Transaction (being Structure A and Structure B) is fair and reasonable and in the best interests of shareholders covered by the Transaction being:

- in the case of Structure A, all Village shareholders other than the excluded Village shareholders; and
- in the case of Structure B, all Village shareholders, noting that Structure B will only proceed if Structure A does not proceed.

This letter contains a summary of Grant Samuel's opinion and main conclusions.

2 Summary of Opinion

Grant Samuel has valued Village in the range A$2.03-2.80 per share. Grant Samuel has attributed a value to the cash consideration under the Transaction of $2.32 per share for Structure A and $2.22 per share for Structure B. The value of the consideration falls within the valuation range for Village. Accordingly, in Grant Samuel's opinion, the Transaction is fair and reasonable and in the best interests of Village shareholders, in the absence of a higher offer.

Estimates of value for Village are subject to considerable uncertainty, given the inherent difficulty in assessing the likely impact of COVID-19 on Village's operational and financial performance in the short to medium term. The COVID-related risks to Village are almost all to the downside: there are unlikely to be any future outcomes materially better than "best guess" estimates as to the timing and rate of recovery from current COVID-19 affected depressed trading levels. On the other hand, Village remains exposed to the risk of a resurgence of COVID-19 across Australia, with both its Theme Parks and Cinema Exhibition businesses particularly vulnerable to restrictions on public gatherings and (for Theme Parks) interstate and international tourism.

Moreover, while Village's Theme Parks and Cinema Exhibition businesses are both market leaders in their sectors, both face significant structural challenges. The Theme Parks business has become increasingly reliant on international tourism and, particularly, Chinese tourism, and so is exposed to current geo-political tensions between Australia and China. The Cinema Exhibition business has recorded falling admission numbers, revenues and earnings over the last four years (pre-COVID), and faces significant competition from alternative forms of entertainment, including increasingly popular streaming video on demand services.

Uncertainty regarding the impact of COVID-19 means that the value of Village could fall within a relatively wide range. In this context, market based evidence is useful in assessing the fairness of the Transaction. Village has effectively been "on the market" for some time: arguably, ever since the announcement in December 2019 of the PEP proposal to acquire Village. Other than the Transaction proposed by BGH, no offers have emerged. While no formal competitive process has been conducted to solicit counter-offers for Village, the circumstances suggest that the Transaction represents the highest offer available for Village in the current market. On one view, the consideration under the Transaction would therefore definitionally represent fair value.

It is possible that unexpected developments in relation to the COVID-19 pandemic will affect whether the contingent element of the consideration will ultimately be payable. However, any changes in this regard will be reflective of factors that (directionally at least) will also result in changes in the underlying value of Village. The relativities between the value of the consideration and the estimated underlying

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value of Village should be broadly maintained. Grant Samuel's conclusions as to fairness would not be affected.

The estimated value of the consideration for Structure A represents a premium of approximately 31.4% relative to the closing price of Village shares immediately before the announcement that Village was entering exclusive negotiations with BGH. In the absence of the Transaction, or some alternative change of control proposal for Village, Grant Samuel expects that Village shares would trade well below the value of the consideration under the Proposal.

Village's financial position has deteriorated materially since the onset of the COVID-19 pandemic. Its debt levels have increased and earnings for FY21 and (to a lesser extent) FY22 will continue to be depressed. In the absence of the Transaction it is likely that Village would need to raise significant equity to address its debt refinancing obligations of circa $300 million during 2021. The prospect of such an equity raising would exacerbate the pressure on Village's share price.

Accordingly, Grant Samuel has concluded that the Transaction is fair and reasonable and in the best interests of Village shareholders, in the absence of a higher offer.

3 Key Conclusions

- **Grant Samuel has valued Village in the range $2.03-2.80 per share.**

  Grant Samuel has valued Village in the range $397-547 million, which corresponds to a value of $2.03-2.80 per share. The valuation represents the estimated full underlying value of Village and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Village shares to trade on the ASX in the absence of a takeover offer.

  The valuation is summarised below:

VILLAGE – VALUATION SUMMARY ($ MILLIONS)

	FULL REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Business operations			
Theme Parks	5.4	475	525
Cinema Exhibition	5.5	425	475
Other Businesses	5.6	70	100
Capitalised corporate costs (net of savings)	5.9	(280)	(260)
Enterprise value		**690**	**840**
Adjusted net borrowings as at 30 June 2020[3]	5.8	(293)	(293)
Value of equity		**397**	**547**
Fully diluted shares on issue (millions)	3.6	195.3	
Value per share		**2.03**	**2.80**

[3] Adjusted net borrowings represents gross drawn debt less cash on hand, adjusted for deferred creditors as at 30 June 2020. It does not include capitalised lease obligations.

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The valuation is based on capitalisation of earnings and high level discounted cash flow ("DCF") scenario analysis. The valuation represents the following multiples:

VILLAGE – IMPLIED VALUATION PARAMETERS

	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
		LOW	HIGH
Value range ($ million)		**690**	**840**
Multiple of EBITDA (pre AASB 16) (adjusted)[4] (times)			
Year ended 30 June 2019	121.6	5.7	6.9
Year ended 30 June 2020	(15.7)	*nmf*[5]	*nmf*
Multiple of EBIT (pre AASB 16) (adjusted)[4] (times)			
Year ended 30 June 2019	51.2	13.5	16.4
Year ended 30 June 2020	(82.0)	*nmf*	*nmf*

Given the current circumstances, valuation based on capitalisation of earnings analysis is subject to significant limitations. Actual earnings for FY20 and any forecasts or budgets for FY21 are not representative of ongoing or "steady state" earnings, given the impact of the COVID-19 pandemic on the trading of Village and comparable businesses. Forecasts of earnings for FY22 are either not available or subject to extreme uncertainty and as such unsuitable for valuation analysis. As a result, the best available reference point is earnings for FY19, notwithstanding that these are now at least to some extent out of date. Village's Theme Parks and Cinema Exhibition businesses are both capital intensive and EBITDA is accordingly a poor proxy for cash flow from operations. Grant Samuel has had particular regard to EBIT multiples in benchmarking its valuation conclusions against valuation evidence derived from share market prices for comparable companies and transaction values.

Having regard to the limitations of capitalisation of earnings, Grant Samuel has also had reference to the results of an indicative DCF scenario analysis. DCF scenario analysis is helpful in understanding the range of potential future outcomes for Village and the associated range of values for the business, including scenarios in which Australia's exit from the COVID-19 pandemic is delayed beyond current expectations. The indicative DCF scenario analysis suggests values consistent with those estimated on a "sum of the parts" basis in the table above.

The valuation reflects the positive aspects of Village's businesses. In particular, it takes into account:

- the market leading positions of Village's two key businesses, Theme Parks and Cinema Exhibition;
- the strong brands and significant barriers to entry enjoyed by these businesses; and
- Village's history of innovation in Theme Parks and Cinema Exhibition.

On the other hand, it recognises the structural and other challenges faced by Village's businesses:

- Village's key Theme Parks and Cinema Exhibition businesses are both capital intensive, requiring substantial ongoing investment to ensure that they remain relevant and continue to attract discretionary leisure and entertainment spending;
- the Theme Parks business faces the risk of a long term reduction in international visitor numbers, particularly from China, and the potential for increased competition from the Ardent theme park business as Dreamworld aims to recapture market share;

[4] Includes share of net profits from FilmNation.

[5] nmf is not meaningful.

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- the Cinema Exhibition business recorded flat to declining admissions, revenues and earnings over the four year period preceding the onset of the COVID-19 pandemic. Some observers believe that there has been a structural shift to streaming video on demand services through the period of the pandemic that will put further pressure on cinema exhibition in the future; and
- earnings from the Distribution business fell by almost two thirds over the four years to 30 June 2019, reflecting an ongoing structural shift in the way in which video product is consumed, with cinema exhibition at best flat and physical product (e.g. DVD and Blu-ray) and free-to-air TV in decline.

In addition, the valuation takes into account the uncertain impacts of COVID-19 on the future operating and financial performance of Village's businesses.

Given the risks facing Village (and in particular the potential impact of adverse COVID-19 related developments), the value of Village could shift by meaningful amounts in short order. In particular, the extension of COVID-19 related restrictions significantly beyond current expectations, the reintroduction of lockdowns in New South Wales or the closure of the theme parks in Queensland, could be expected to result in a meaningful reduction in the value of Village.

- **The wide range of possible future COVID-19 impacts on Village's business means that valuation of Village is subject to fundamental uncertainty.**

The operating and financial performance of Village's businesses is particularly susceptible to COVID-19 impacts:

- historically, approximately 20% of visitors to Village's theme parks have been overseas tourists and a further 30% have been visitors from interstate. Accordingly, restrictions on international travel and interstate border closures have a material impact on visitor numbers and revenues for the theme parks. Given the substantial fixed cost base of the business, revenue reductions result in a disproportionate reduction in earnings and free cash flows;
- the timing and extent of the recommencement of international tourism is subject to considerable uncertainty, reliant as they are on other nations' success in managing the COVID-19 pandemic, the timing of widespread availability of any vaccine, and on future regulation and cost of international travel;
- restrictions on indoor gatherings have the potential to materially reduce the revenue of Village's Cinema Exhibition business, which also has a strong fixed cost component; and
- the impact of international travel restrictions, interstate border closures and closures or restrictions on cinemas are particularly significant if they coincide with holiday periods.

There is a wide variety of scenarios for recovery from the COVID-19 pandemic. A scenario which assumes the lifting of Victorian COVID-19 restrictions and the resumption of full travel between Queensland, New South Wales and Victoria by Christmas 2020, followed by a gradual resumption of international tourism, is effectively a best case outcome. Alternative scenarios involving further outbreaks of COVID-19, either in Australia or internationally, are clearly credible.

It is difficult to attribute even broad probabilities to any of these downside scenarios or to estimate the potential scale of the impact on Village's operations and earnings. Nonetheless, any risk-adjusted assessment of the value of Village needs to recognise the possibility that Australia's exit from COVID-19 will ultimately not be on the basis of a "best case" scenario.

In this context, the valuation range for Village of $2.03-2.80 is relatively wide, reflecting both the fundamental uncertainty as to the prospects for Village's businesses and the gearing effect of Village's significant net debt. The top end of the valuation range notionally represents a best case outcome, whereas the bottom end attributes greater weight to the various risks facing Village. Notwithstanding

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the width of the valuation range, any offer within that range (even at the very bottom of the range) is by definition fair.

- **Given the uncertainty inherent in theoretical approaches to valuation, the circumstances surrounding the BGH proposal provide useful evidence as to the fairness of the Transaction.**

  Village has effectively been "on the market" ever since the announcement of the proposal from PEP in late December 2019. In particular, the announcement that PEP had entered into a call option with VRC, Village's largest shareholder, over shares representing approximately 19% of the total Village shares on issue, made it clear that VRC was prepared to facilitate a change of control transaction, subject to price.

  The onset of the COVID-19 pandemic has materially affected the value of Village. However, it would not have affected the perception of parties interested in Village that control of Village was potentially available. The Transaction proposal from BGH has been the only offer for Village that has emerged.

  Moreover, since the announcement of negotiations with BGH on 15 May 2020 and the subsequent announcement of the Transaction on 6 August 2020, there has been no meaningful impediment to a higher proposal from a third party (although BGH does have certain customary deal protection and matching rights). The BGH offer has been widely publicised and it is reasonable to conclude that all parties conceivably interested in an acquisition of Village would have become aware of the opportunity. No higher offer has been forthcoming.

  In the event that no alternative proposal for Village emerges before the meeting at which shareholders will vote on the Transaction, it will be reasonable to conclude that the Transaction represents the highest offer for Village available in the current market. On one view, this would definitionally mean that the Transaction represents fair value.

- **Grant Samuel has attributed value of $2.32 to the cash consideration offered under Structure A and $2.22 to the cash consideration offered under Structure B.**

  The base cash offer price is $2.20 per share for Structure A and $2.10 per share for Structure B. For both Structure A and Structure B, shareholders will potentially also receive the Theme Parks Uplift contingent payment of $0.12 per share.

  As a consequence of the deferral of the release of three relevant films, it appears that the Cinema Uplift contingent payment of $0.08 per share will not be payable and Grant Samuel has attributed no value to this contingent payment.

  The Border Uplift contingent payment of $0.05 per share will only be payable if there are:

  - no border control measures imposed by the Queensland Government in force as at 1 November 2020 that prohibit any person from entering Queensland from New South Wales; and
  - no such measures in relation to Victoria in force as at 15 November 2020.

  Given the current COVID-19 restrictions in place in Victoria, Village considers that it is unlikely that the requirements for the Border Uplift to be payable will be met. Grant Samuel has attributed no value to this contingent payment, although there is a still a theoretical possibility that ultimately it could be payable.

  Based on the current Scheme timetable, Village expects that the relevant date for determining whether the Theme Parks Uplift will be payable will be around 13 November 2020.

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As of the date of this report, the theme parks are open to the public and have been for some months. New COVID-19 infection rates in Queensland and New South Wales have been very low for some time and have declined significantly in Victoria. Accordingly, it appears highly likely that the theme parks will continue to be open across the Relevant Period and that the Theme Parks Uplift of $0.12 per share will be payable. For the purpose of assessing the value of the consideration, Grant Samuel has assumed that the Theme Parks Uplift will be paid.

On that basis, Grant Samuel has attributed value of $2.32 per share to the cash consideration under Structure A and value of $2.22 per share to the cash consideration under Structure B.

It is possible that unexpected developments in relation to the COVID-19 pandemic could affect whether the Theme Parks Uplift (and, possibly, the Border Uplift) will ultimately be payable. In particular, in the hypothetical event that adverse COVID-19 related developments in Queensland were to result in the closure of the theme parks such that the Theme Parks Uplift were no longer payable, the value of Village would also be expected to fall, broadly in line with the reduction in the value of the contingent consideration. Grant Samuel's conclusions as to fairness would not be affected.

In any event, nearer to the date of the Scheme Meeting shareholders will be in a better position to confirm whether the Theme Parks Uplift and the Border Uplift will be payable.

- **The consideration offered under the Transaction is substantially less than that proposed by PEP in December 2019 and by BGH in January 2020. This reduction is a direct reflection of the loss of earnings and free cash flows resulting from the COVID-19 pandemic in the period to 30 June 2020, as well as expected ongoing COVID-19 impacts for the year to 30 June 2021 and subsequent years.**

  The indicative offers made by PEP and BGH in December 2019 and January 2020 implied an equity value for Village of approximately $760-780 million. The cash consideration under Structure A implies an equity value for Village of around $450 million[6], a reduction of approximately $310-330 million.

  The reduction in the value of Village reflects the following:

  - Village had expected that earnings for the year to 30 June 2020 would approximately match earnings for the year to 30 June 2019. Actual reported EBITDA (pre AASB 16) for the year to 30 June 2020 was a loss of $13 million, by comparison with EBITDA for the year to 30 June 2019 of $120 million. The reduction in EBITDA of approximately $133 million was largely attributable to the downturn in Village's earnings following the outbreak of COVID-19;
  - Village's post-COVID forecasts of EBITDA for the year to 30 June 2021 are approximately $120 million lower than forecasts for the same period compiled prior to the onset of COVID-19;
  - Village's post-COVID forecasts of EBITDA for the years to 30 June 2022 and 30 June 2023 are in aggregate approximately $150 million lower than forecasts for the same period compiled prior to the onset of the COVID-19 pandemic;
  - earnings post FY23 are projected to grow off a lower base than previously projected. Earnings are not expected to "catch up"; and
  - revised earnings expectations arguably still reflect a best case outcome from a COVID-19 pandemic perspective. It is almost certainly the case that the balance of risks for Village's future earnings are to the downside. These risks, while difficult or impossible to quantity, need to be captured in assessments of the current value of Village.

[6] Based on the bottom end of the range of values attributed to the cash consideration under Structure A of $2.32.

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- **The value of the consideration represents a significant premium relative to the pre-announcement share price for Village.**

  Village's shares closed at $1.765 immediately before the announcement on 15 May 2020 of a Transaction Process Deed under which Village undertook to negotiate exclusively with BGH in relation to a potential change of control transaction. The value attributed by Grant Samuel to the consideration under Structure A of $2.32 per share represents the following premiums relative to the Village share price for various periods up to and including 15 May 2020:

VILLAGE – IMPLIED PREMIUMS OVER PRE-ANNOUNCEMENT SHARE PRICES

PERIOD	SHARE PRICE	PREMIUM
15 May 2020 – last closing price pre-announcement	$1.77	31.4%
5 days prior to 15 May 2020 - VWAP[7]	$1.93	20.0%
1 month prior to 15 May 2020 - VWAP	$1.92	20.5%
19 March 2020[8] to 15 May 2020 - VWAP	$1.43	62.0%

Source: IRESS and Grant Samuel analysis

  The premiums set out above for the period up to one month prior to 15 May 2020 are significant. They are broadly consistent with premiums typically regarded as the benchmark for successful change of control transactions in the Australian sharemarket (20-35%). They do not reflect the potential negative share price impact that may have resulted from the "second wave" of Victorian COVID-19 infections, had the negotiations with BGH not already been announced, and so arguably could understate the "true" premiums.

- **Village's financial position has deteriorated materially as a result of the impact of COVID-19. Absent the Transaction, it appears likely that Village will have to raise significant fresh equity during the course of calendar 2021.**

  As part of its response to the decline in trading conditions caused by the COVID-19 pandemic, Village arranged a $70 million facility provided, in part, by its banking syndicate and, in part, by the Queensland government. It is a condition of the facility that, if no change of control transaction is concluded, Village must raise a minimum of $35 million through new shareholder equity or equity like instruments, by the earlier of the Company's half year announcement in February 2021 or three months after the termination of a transaction with BGH.

  In addition, Village has a near fully drawn revolving facility of $230 million that matures in January 2022. Given the significant reduction in Village's earnings, the increase in its net debt and the consequent decline in key credit metrics, it appears likely that Village will need to raise significant additional equity as part of the refinancing of the revolving facility. The timing and quantum of that equity raising will depend in part on the actual performance of Village's business in the intervening period, but it would potentially be optimal to consolidate the two equity raisings into a single raising in early 2021.

- **Village shares are likely to trade at prices well below the value of the consideration, in the absence of the Transaction or some similar change of control proposal for Village.**

  The consideration under the Transaction represents a significant premium to Village's pre-announcement share price. Absent the Transaction, Village would remain fundamentally exposed to the COVID-19 "exit path", both in Australia and internationally. Accordingly, Grant Samuel expects

[7] VWAP refers to volume weighted average price.

[8] On 19 March 2020, Village released an announcement to ASX entitled "Update on COVID-19 Response".

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that Village shares would trade at prices well below the value of the consideration under the Transaction, in the absence of the Transaction or some similar change of control proposal for Village. Pressure on the Village share price would be exacerbated by a market expectation that Village would need to raise potentially significant amounts of new equity. The structure and pricing of such an equity raising would depend on market conditions at the time. Given the potential quantum of any equity raising and the structure of Village's share register, it is likely that any new share issue would be at deeply discounted prices and potentially dilutive for existing shareholders.

- **The value of the scrip alternative offered under both Structure A and Structure B is difficult to assess with any precision but (initially at least) is likely to be less than the value of the cash consideration.**

Under Structure A, Village shareholders will be entitled to elect to receive unlisted shares in a new holding company (HoldCo) that will (via interposed entities) hold 100% of the shares in Village. Under Structure B, Village shareholders will be entitled to retain their existing Village shareholdings, and Village will subsequently be delisted from the ASX. In both cases, shareholders will potentially be subject to scale back. The relevant arrangements are complex and are set out in detail in the Scheme Booklet.

Village shareholders that elect to receive shares in HoldCo, or to retain their shares in Village in Structure B, will retain an economic interest in Village's business operations and assets (although the extent of this interest could be diluted in the event that any scale back applies). These shareholders:

- may be able to participate in any future exit by BGH of its investment in Village (which may be at a higher value or a lower value than the cash payments under the Scheme). However, there can be no certainty as to the timing or mechanism of any potential exit and the value that would ultimately be realised; and
- in certain circumstances, may be able to defer the tax consequences that would otherwise result from accepting the cash consideration under Structure A or Structure B.

On the other hand, shareholders who elected to accept the share alternative under Structure A or Structure B:

- would no longer have the protections offered under the ASX Listing Rules and Australian corporate law for listed public companies in relation to takeovers, acquisition of substantial shareholdings and certain minority protection rights;
- will be subject to the provisions of the relevant Shareholders' deeds (see Section 7.4 of the Scheme Booklet);
- will effectively have to accept the capital structure preferences and value realisation strategies implemented by BGH;
- will have little or no influence over the appointment of directors;
- could have no expectation of any dividend distributions, at least for some years; and
- most importantly, will no longer have a liquid market in which to realise their investment.

Prima facie, the underlying value of a share in Holdco (or a retained Village share) on implementation of the Transaction will be the same as the underlying value of a share in Village before implementation of the Transaction. However, the realisable value of a share in Holdco (or a retained Village share) will be quite different. Shareholders who elect to receive HoldCo shares in Structure A or to retain Village shares in Structure B would hold shares in an unlisted, highly illiquid vehicle where:

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- there are substantial restrictions on the ability to transfer shares (see Sections 7.4 and 8.4 of the Scheme Booklet);
- there is no organised market for their shares; and
- there is no guarantee as to whether or when shareholders might be able to extract value, and what price, if any, shareholders might be able to realise for their shares.

The underlying value of Village (and the underlying value of shares in HoldCo or a delisted Village) will vary over time depending upon multiple factors, including the performance of the Village businesses. It is not possible to estimate the realisable value of HoldCo or Village shares, either in the short term or ultimately. In the short term, the lack of a liquid (or possibly any) market for the relevant shares may mean that the price available to shareholders who wish to realise their shares would be at best at a very deep discount to underlying value. The price realisable for HoldCo or Village shares in the longer term will depend on the value ultimately achieved by BGH on exit of its investment.

Shareholders contemplating an election to receive shares in HoldCo or to retain shares in a de-listed Village should understand that this is a decision independent of a decision to approve the Transaction. Given that they are foregoing the cash consideration available, such shareholders are essentially choosing to make a fresh investment decision where the investment price is equal to the cash consideration otherwise available. Such an investment is likely to be appropriate only for sophisticated investors. Shareholders contemplating such an investment should seek independent professional advice. Grant Samuel offers no recommendation in that regard.

- **The Transaction is fair and reasonable and in the best interests of Village shareholders.**

The value attributed to the cash consideration under the Transaction is $2.32 per share for Structure A and $2.22 per share for Structure B. This falls within Grant Samuel's valuation range for Village of $2.03-2.80 per share. Accordingly, the Transaction is fair. In the context of the uncertainties posed by the COVID-19 pandemic, judgements regarding value are inevitably subject to uncertainty. However, in Grant Samuel's view, those very COVID-related uncertainties, together with the structural challenges facing Village's businesses, mean that the certainty offered by the cash consideration under the Transaction is highly attractive.

Because the Transaction is fair, it is by definition reasonable. Given the passage of time since a proposal for the acquisition of Village was made in December 2019, the prospects of a higher offer from a third party appear remote. In the absence of a change of control proposal for Village, Grant Samuel expects that Village shares would trade at prices well below the value of the consideration under the Transaction.

In Grant Samuel's view the Transaction is fair and reasonable and in the best interests of Village shareholders, in the absence of a higher offer.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Village shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Village in relation to the Transaction.

A decision as to whether to vote in favour of the Transaction is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions and their particular

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circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Offer should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Village. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision as to whether to vote in favour of the Transaction. Shareholders should consult their own professional adviser in this regard.

In particular, a decision as to elect to receive HoldCo shares in Structure A or retain Village shares in Structure B is effectively a fresh investment decision, unrelated to a decision as to whether to vote in favour of the Transaction. This is an investment decision upon which Grant Samuel does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

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FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S REPORT
IN RELATION TO THE PROPOSAL BY BGH CAPITAL PTY LTD

GRANT SAMUEL & ASSOCIATES PTY LIMITED

ABN 28 050 036 372

10 OCTOBER 2020

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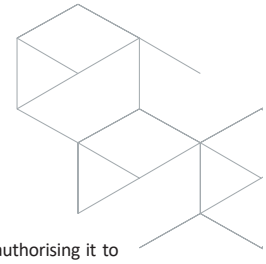

FINANCIAL SERVICES GUIDE

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Village Roadshow Limited ("Village") in relation to a transaction under which BGH Capital Pty Ltd (together with its affiliates, "BGH") is to acquire control of Village ("the Village Report"), Grant Samuel will receive a fixed fee of $485,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 7.3 of the Village Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Village Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 7.3 of the Village Report:

> *"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Village or BGH or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Transaction.*
>
> *Grant Samuel had no part in the formulation of the Transaction. Its only role has been the preparation of this report.*
>
> *Grant Samuel will receive a fixed fee of $485,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Transaction. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.*
>
> *Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."*

Grant Samuel has internal complaints-handling mechanisms and is a member of the Australian Financial Complaints Authority, No. 11929. If you have any concerns regarding the Village Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Australian Financial Complaints Authority at GPO Box 3 Melbourne VIC 3001 or 1800 931 678. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Village Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

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1 Details of the Proposal

On 6 August 2020, Village Roadshow Limited ("Village" or "the Company") announced that it had entered into an Implementation Agreement with Village Roadshow Corporation Pty Limited ("VRC") and entities associated with funds managed by BGH Capital Pty Ltd ("BGH"), under which BGH is to acquire control of Village ("Transaction"). VRC is an entity associated with Messrs John and Robert Kirby and Graham Burke, all long serving directors and current or former senior executives of Village. VRC and its principals hold either directly or indirectly approximately 39.91% of the shares in Village.

The Transaction is to be given effect by one of two alternative schemes of arrangement. Under the first scheme ("Structure A"), Village shareholders (other than certain excluded Village shareholders) will be entitled to receive:

- a base cash offer price of $2.20 per share; and
- an additional contingent cash payment of $0.12 per share ("Theme Parks Uplift").

The Theme Parks Uplift will be payable in the event that the Warner Bros. Movie World and Sea World theme parks are open to the public for a period of five business days ending at 4pm on the day that is eleven days prior to the proxy cut-off date for the proposed shareholder meeting to vote on the Scheme ("Relevant Period"). The theme parks are currently open to the public. If this continues through the Relevant Period, the total cash consideration available to Village shareholders under Structure A will be $2.32 per share.

An additional amount of $0.05 per share ("Border Uplift") is also potentially payable, conditional on the absence of any border control measures imposed by the Queensland State government prohibiting any person from entering Queensland from New South Wales on 1 November 2020 and from Victoria on 15 November 2020. Village considers that, particularly given the current COVID-19 restrictions in place in Victoria, it is unlikely that the Border Uplift conditions will be met.

A further additional amount of $0.08 per share ("Cinema Uplift") was originally potentially payable, conditional on a majority of the Cinemas business locations (representing 75% of the Cinemas business revenue in FY19) being open to the public for the Relevant Period and there being no significant changes to the expected movie slate for the remainder of FY21. On 25 September 2020 Village announced that the scheduled release of three films had been deferred, triggering the relevant condition. As a consequence, the Cinema Uplift is not expected to be payable.

As an alternative to the cash consideration (base offer price and contingent Theme Parks Uplift), shareholders will be entitled to make either a partial or full election to receive as consideration (subject to certain limitations) shares in an unlisted company that will be controlled by BGH and will (through interposed entities) hold 100% of the shares in Village ("HoldCo"). Scheme shareholders will be entitled to receive their consideration as 100% cash, 50% cash and 50% shares in HoldCo, or 100% shares in HoldCo. The overall issuance of shares in HoldCo to Scheme shareholders will be subject to a maximum of 15% and a minimum of 5% of the Village shares on issue. If Scheme shareholders collectively apply for shares representing more than 15% of the shares in Village, they will be subject to scale back. If the collective application is less than 5%, no HoldCo shares will be issued to Scheme shareholders, and instead the consideration will be 100% cash.

Scheme shareholders who elect to receive HoldCo shares will agree to be bound by a HoldCo shareholders deed. If there are, or would be on implementation, more than 50 HoldCo shareholders, Scheme shareholders will agree to have their HoldCo shares held on their behalf by an independent nominee.

Under the second of the two alternative yet concurrent schemes ("Structure B"), Village shareholders will be entitled to receive a base cash offer price of $2.10 per share and the contingent Theme Parks Uplift of $0.12 per share as for Structure A. As an alternative, shareholders will be entitled to elect to continue to hold all their shares in Village (subject to scaling back). BGH will hold at least 50% of the shares in Village,

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which will be de-listed from the Australian Securities Exchange ("ASX") shortly after implementation of Structure B. Shareholders who elect to continue to hold their Village shares will agree to be bound by a shareholders' deed and, if there are more than 50 Village shareholders, agree to have their shares held on a bare trust by an independent nominee.

Structure A and Structure B will be submitted to Village shareholders as concurrent alternative proposed transactions, and on the basis that Structure B will only proceed if Structure A is not approved both by Village shareholders and by the Court. The dual Scheme structure, and in particular the different offer prices such that the base consideration is $0.10 per share higher for Structure A, has been proposed:

- because of structural and cost outcomes that mean Structure A is preferred by BGH; and
- to ensure that shareholders have the option of considering an alternative offer for their shares should Structure A not be approved (given that VRC will be excluded from voting on Structure A but can vote on Structure B).

A detailed articulation of the rationale for the two scheme structure is set out in Section 2.5 of the Scheme Booklet.

The Independent Board Committee of Village ("IBC") has requested that Grant Samuel & Associates Pty Limited ("Grant Samuel") prepare an independent expert's report for inclusion in the Scheme Booklet to be sent by Village to its shareholders. The expert's report will state whether each component of the proposed Transaction (being Structure A and Structure B) is fair and reasonable and in the best interests of shareholders covered by the Transaction being:

- in the case of Structure A, all Village shareholders other than the excluded Village shareholders; and
- in the case of Structure B, all Village shareholders, noting that Structure B will only proceed if Structure A does not proceed.

Each of Structure A and Structure B is subject to customary conditions, including:

- the approval of shareholders at a scheme meeting, by the requisite majorities;
- the approval of the Federal Court of Australia; and
- other regulatory approvals.

Structure B will only proceed if:

- Structure A fails to receive all required approvals and satisfy all relevant conditions; and
- Structure B receives all required approvals.

The Implementation Agreement is subject to customary deal protections for BGH including "no shop", "no talk" and "no due diligence" provisions and matching rights. Village is also bound by other customary provisions including notification obligations. The Implementation Agreement also sets out certain circumstances in which a break fee of $4.29 million or approximately 1% of equity value would be payable to BGH, or a reverse break fee of the equivalent amount would be payable to Village.

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2 Scope of the Report

2.1 Purpose of the Report

The Transaction is to be implemented by one of two alternative schemes of arrangement under Section 411 of the *Corporations Act, 2001* (Cth) ("Corporations Act") between Village and its shareholders (for this purpose jointly referred to as "the Scheme"). Under Section 411 the Scheme must be approved by a majority in number (i.e. more than 50%) of each class of shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. If approved by Village shareholders, the Scheme will then be subject to approval by the Federal Court of Australia.

Part 3 of Schedule 8 to the *Corporations Regulations, 2001* (Cth) "Corporations Regulations") prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion. A copy of the report will accompany the Notice of Meeting and the Explanatory Statement ("the Scheme Booklet") to be sent to shareholders by Village.

In the present circumstances, Part 3 of Schedule 8 to the Corporations Regulations applies in relation to both schemes because:

a) in relation to Structure A, the major Village shareholder, VRC, being the notional bidder, has a 30% or greater 'entitlement' (properly understood as 'voting power') in Village;

b) in relation to Structure B, VRG Bidco Pty Ltd ("BidCo"), being the notional bidder, has a 30% or greater 'entitlement' (properly understood as 'voting power') in Village (due to the execution of the joint bidding agreement and various ancillary agreements in respect of Structure A); and

c) there are common directors between the bidder for Structure A (i.e., VRC and Village: rules 8303 and 8306 in Part 3 of Schedule 8 to the Corporations Regulations).

Accordingly, the directors of Village who are part of the IBC constituted to consider the Transaction have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Transaction is fair and reasonable and in the best interests of Village shareholders and to state reasons for that opinion.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Village shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Village in relation to the Transaction.

Voting for or against the Transaction is a matter for individual shareholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Transaction should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Village. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to vote for or against the Transaction. Shareholders should consult their own professional adviser in this regard.

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2.2 Basis of Evaluation

There is no legal definition of the expression "in the best interests". However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 ("RG111") which establishes guidelines in respect of independent expert's reports. RG111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". A Transaction that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of shareholders (being the opinion required under Part 3 of Schedule 8 to the Corporations Regulations). For most other transactions the expert is to weigh up the advantages and disadvantages of the Transaction for shareholders. If the advantages outweigh the disadvantages, a Transaction would be in the best interests of shareholders.

The Transaction is economically the same as a takeover offer. Accordingly, Grant Samuel has evaluated the Transaction as a control transaction and formed a judgement as to whether the Transaction is "fair and reasonable".

Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer such as:

- the offeror's existing shareholding;
- other significant shareholdings;
- the probability of an alternative offer; and
- the liquidity of the market for the target company's shares.

An offer could be considered "reasonable" if there were valid reasons to accept the offer notwithstanding that it was not "fair".

Fairness is a more demanding criteria. A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair". A fair offer is one that reflects the full market value of a company's businesses and assets. An offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if shareholders are otherwise unlikely in the foreseeable future to realise an amount for their shares in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation the minority shareholders have little prospect of receiving full value from a third party offeror unless the controlling shareholder is prepared to sell its controlling shareholding.

Grant Samuel has determined whether the Transaction is fair by comparing the estimated underlying value range of Village with the value of the consideration offered under each of the alternative structures that constitute the Scheme. The Transaction will be fair in relation to either structure if the value of the consideration under that structure falls within the estimated underlying value range for Village. In considering whether the Transaction is reasonable, the factors that have been considered include:

- the existing shareholding structure of Village;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Village shares in the absence of the Transaction; and
- other advantages and disadvantages for Village shareholders of approving the Transaction.

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2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

- the Scheme Booklet (including earlier drafts);
- annual reports of Village for the four years ended 30 June 2019;
- half year announcement of Village for the six months ended 31 December 2019;
- appendix 4E of Village for the financial year ended 30 June 2020;
- press releases, public announcements, media and analyst presentation material and other public filings by Village including information available on its website;
- brokers' reports and recent press articles on Village and the cinema, theme park and related entertainment sectors;
- sharemarket data and related information on Australian and international listed companies engaged in the cinema, theme park and related entertainment sectors and on acquisitions of companies and businesses in those sectors; and
- other confidential documents, board papers, presentations and working papers provided by Village including the forecast of FY21 and longer term projections prepared by Village management.

Grant Samuel was also provided with advanced drafts of other documents related to the Transaction, including drafts of the HoldCo Shareholders Deed for Structure A and the VRL Shareholders Deed for Structure B.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Village and its advisers. Grant Samuel has considered and relied upon this information. Village has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Transaction is fair and reasonable and in the best interests of Village shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert. Grant Samuel advises that it is not in a position nor is it

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practicable to undertake its own "due diligence" investigation of the type undertaken by accountants, lawyers or other advisers.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Village. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included:

- the budget for Village for the year ending 30 June 2021 ("Budget") prepared by management and adopted by the directors of Village; and
- a forecast financial model, including cash flow projections, for Village business operations for the period 1 July 2020 to 30 June 2026 ("Six Year Forecast model"). The model was prepared by Village.

Village is responsible for the information contained in the Budget and the Six Year Forecast model ("the forward looking information"). Grant Samuel has considered the forecast information set out in the Budget and model. The major assumptions underlying the Budget were reviewed by Grant Samuel in the context of current economic, financial and other conditions.

The operational and financial performance of Village's major businesses (Theme Parks, Cinema Exhibition and Film Distribution) are all significantly exposed to major variations in revenue that may arise as a result of the future unfolding of the COVID-19 pandemic. In particular:

- visitor numbers to Village's theme parks would be directly influenced by any resurgence of COVID-19 in Queensland, the extension of border controls between Queensland and the rest of Australia for longer than expected, ongoing controls on international travel and other factors related to the COVID-19 pandemic; and
- similarly, revenues for the Cinema Exhibition and Film distribution businesses will be directly affected by regulatory controls imposed on cinema openings or patronage levels as well as the availability of new content.

In the case of all of Village's businesses, significant fixed cost structures mean that movements in revenue can have material impacts on profitability and free cash flows.

Accordingly, while the major assumptions underlying the Budget are not unreasonable, the reality is that actual financial performance for FY21 could be very different from that projected by the Budget.

Moreover, it should be noted that the Budget and its underlying assumptions have not been reviewed (nor is there a statutory or regulatory requirement for such a review) by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions.

Grant Samuel has also considered the forecast information set out in the Six Year Forecast model. In Grant Samuel's view, while the projections set out in the Six Year Forecast model, and the detailed assumptions upon which they are based, are not unreasonable, the factors likely to impact on Village's financial performance over the period of the Six Year Forecast are subject to such a wide range of potential

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outcomes that the Six Year Forecast does not provide information upon which reliance could reasonably be placed for valuation purposes.

Subject to these limitations, Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant's examination), there are reasonable grounds to believe that the Budget has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors into account:

- the Budget was reviewed in detail and adopted by the Directors of Village; and
- Village has sophisticated management and financial reporting processes. The Budget has been prepared through a detailed budgeting process involving preparation of "ground up" forecasts by the management and senior management review.

While Village has made guidance statements providing general guidance regarding trading and operating cash flows, the directors of Village have decided not to include the Budget or other forward looking information in the Scheme Booklet and therefore this information has not been disclosed in this report.

Grant Samuel has no reason to believe that the Budget reflects any material bias, either positive or negative. However, the achievability of the Budget is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by Village and its advisers with regard to legal, regulatory, tax and accounting matters relating to the Transaction are accurate and complete;
- the information set out in the Scheme Booklet sent by Village to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Transaction will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Transaction are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

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3 Profile of Village

3.1 Background

The Village Roadshow group of companies was founded in 1954 by Roc Kirby as an owner-operator of drive-in cinemas. The drive-in cinema circuit was gradually expanded with the addition of more traditional cinemas in major population centres and during the 1960s and 1970s the company diversified into the related businesses of film production and distribution. During the 1980s and 1990s, Village was one of the pioneers in the development of multiplex cinema complexes, the forerunners of the high quality multiplexes in operation around the world.

A desire to access further growth capital led to the company's stock market listing in 1988. In the 1990s, Village's Cinema Exhibition division undertook an aggressive expansion of its cinema network both in Australia and overseas, including in New Zealand and parts of Asia, South America and Europe.

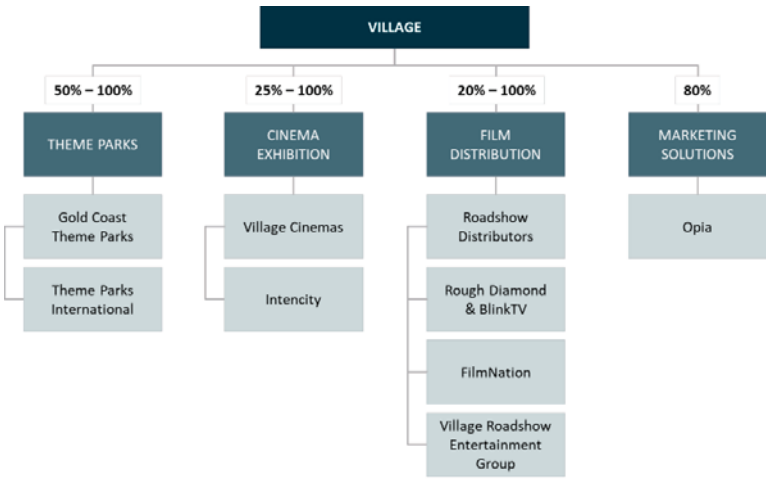
The company also diversified further into complementary media and entertainment businesses with the purchase and development of theme parks and radio networks. Village integrated Triple M and Today radio networks to create the separately listed Austereo, before selling down its 52% stake to Southern Cross Media in 2011.

In the 1990s, Village expanded into Theme Parks on the Gold Coast with joint venture partner Warner Bros., initially with the acquisition of Wet'n'Wild, then the construction of Warner Bros. Movie World and followed by the acquisition of Sea World and Sea World Resort & Water Park in 1992. Village became the sole owner of these parks in 2006 when it bought out the remaining interests of Warner Bros. Village's other Gold Coast theme park operations are Paradise Country, Australian Outback Spectacular, Village Roadshow Studios and Topgolf, its most recent addition, which opened in 2018.

Today, Village is the largest theme park operator in Australia. Village has divested its international cinema exhibition business and its cinema exhibition business now operates in Australia only. The company is also the largest independent distributor of theatrical films to cinemas in Australia. The acquisition of UK based Opia in 2015 expanded Village's Marketing Solutions division, broadening the suite of promotional products available to customers.

An overview of Village's structure is shown below:

VILLAGE – SUMMARISED STRUCTURE OF MAJOR BUSINESSES



Source: Village

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Village's major divisions are:

- **Theme Parks**: operates theme park assets in Australia, Las Vegas (water park) and China (indoor theme park).
- **Cinema Exhibition**: together with joint venture partner Event Hospitality & Entertainment Limited ("Event") operates 577 screens at 57 sites across Australia.
- **Film Distribution**: distributes theatrical movies, digital rights and other product to cinema, pay television, subscription video on demand service providers and free-to-air television in Australia and New Zealand.
- **Marketing Solutions**: consists of Opia, a UK based global marketing consultancy agency. Opia is 80% owned by Village.

Village has been in partnership with Warner Bros. in several parts of the world for over 40 years. The relationship dates back to 1971 when Village commenced distribution of Warner Bros. theatrical product in Australia and New Zealand. This partnership has expanded and today includes:

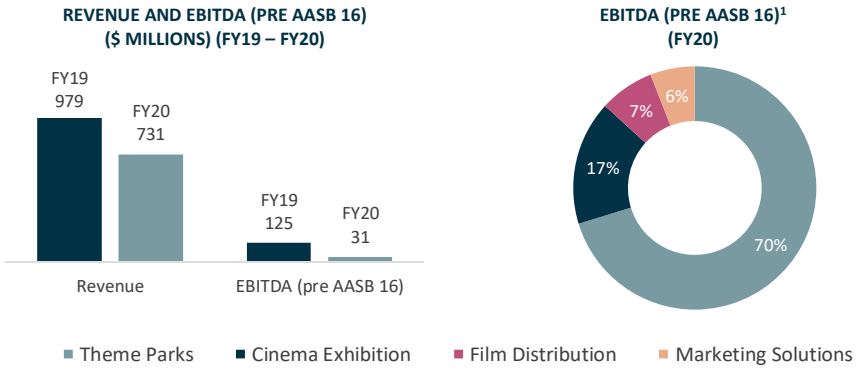
- long term licensing arrangements in relation to the Warner Bros. Movie World theme park;
- collaboration on expansion opportunities including into the Asian theme park market; and
- theatrical and home entertainment film distribution in Australia and New Zealand. On 21 September 2020 Village announced that the contract for theatrical distribution would not be renewed when it expires on 31 December 2020.

Village also has a long standing relationship with Event of more than 50 years of joint operation of cinemas across Australia.

As at 11 September 2020, Village had a market capitalisation of approximately $410 million.

In the 2020 financial year, the company generated revenue of $731 million ($979 million in FY19) and reported EBITDA of $31[1] million ($125 million in FY19). Theme Parks, Cinema Exhibition and Film Distribution accounted for, respectively, approximately 70%, 17% and 7% of EBITDA (pre AASB 16):

VILLAGE – CONTRIBUTION BY BUSINESS (AS REPORTED)



Source: Village
Note 1: Reflects EBITDA before AASB 16 adjustments of $51.8 million and unallocated corporate and other costs of $20.5 million.

[1] Excluding the impact of AASB 16. EBITDA including the impact of AASB 16 amounted to $83 million.

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COVID-19 has had a significant impact on Village with restrictions on social gatherings and movement forcing the closure of its theme parks and cinemas in March 2020. Cinemas in metropolitan Melbourne and some areas of Victoria remain closed as at the date of this report due to State government directives but cinemas across the rest of Australia are operating under social distancing rules specific to each State/Territory. There has been a significant deferral in the release schedule of major films until later in 2020.

Queensland theme parks have re-opened (Sea World in June and Movie World in July). However, operations are currently restricted to a 4 square metre physical distancing rule, with visitors predominantly from the local Queensland market. The peak September school holiday season will be disrupted given Queensland border closures with Victoria and New South Wales and the continued absence of international tourists.

Village recently announced that it had secured additional funding of approximately $70 million from existing lenders and the Queensland Government to fund its operating and capital expenditure requirements. At the time the new funding was secured, Village was of the view that this additional liquidity will be sufficient to support its operations over the next 12 months. In order to secure the new funding, the company has given an undertaking to raise a minimum of $35 million through new shareholder equity by the earlier of the Company's half year announcement (in February 2021) or three months after the termination of a potential transaction with BGH.

Given the impact of COVID-19, the outlook for Village and its future trading performance is fundamentally uncertain. The actual performance of the business may be affected by a range of factors including, but not limited to, further COVID-19 lockdowns, State border closures, extensions to restrictions on international tourism, social distancing restrictions and the status of a COVID-19 vaccine.

Strategy

Village's strategy reflects the key issues that the company and industry has faced in recent years:

- for its Theme Parks business:
  - "premiumisation" and high yield pricing, dynamic marketing and technology initiatives; and
  - continued investigation of growth opportunities, including in new markets (Asia growth strategy) and through new concepts or entertainment (for example, Topgolf);
- for its Cinema Exhibition business: the delivery of continued innovation and premium experience, building on successful cinema format innovations including Gold Class, Vmax, Vpremium and Vjunior. Village is continuing to invest in the expansion of premium cinema concepts and new entertainment and social offerings and developments in new population growth areas.

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3.2 Financial Performance

Historical Financial Performance

The financial performance of Village for the five years ended 30 June 2020 is summarised below:

VILLAGE – FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR ENDED 30 JUNE				
	2016	2017	2018	2019	2020[2]
Revenue	**1,037.3**	**996.5**	**951.4**	**979.2**	**731.4**
EBITDA (pre AASB 16) (adjusted)[3]	**154.0**	**123.2**	**89.3**	**120.2**	**(13.1)**
Lease expense	-	-	-	-	51.8
EBITDA (post AASB 16) (adjusted)[3]	**154.0**	**123.2**	**89.3**	**120.2**	**38.7**
Depreciation and amortisation	(71.6)	(73.4)	(70.7)	(70.4)	(101.1)
EBIT (adjusted)[4]	**82.4**	**49.8**	**18.5**	**49.8**	**(62.4)**
Net interest expense	(27.8)	(30.1)	(29.3)	(28.5)	(40.0)
Share of net profits of equity-accounted investments	(9.2)	(13.5)	0.9	1.3	(2.6)
Significant and non-recurring items	(13.9)	(82.2)	(18.3)	(33.4)	(48.1)
Operating profit/(loss) before tax	**31.5**	**(76.0)**	**(28.1)**	**(10.8)**	**(153.2)**
Income tax expense/(benefit)	(14.9)	10.4	24.7	1.2	30.6
Operating profit/(loss) after tax	**16.6**	**(65.6)**	**(3.4)**	**(9.6)**	**(122.6)**
Outside equity interests[5]	(0.9)	(1.1)	3.6	3.0	5.2
NPAT[6] attributable to Village shareholders	**15.7**	**(66.7)**	**0.2**	**(6.6)**	**(117.4)**
STATISTICS					
Basic earnings per share	*31.7*	*14.6*	*(4.5)*	*10.7*	*(22.2)*
Dividends per share	*28.0*	*14.0*	-	*5.0*	-
Dividend payout ratio	*88.3%*	*95.9%*	*n/a*	*46.7%*	*n/a*
Amount of dividend franked	*100.0%*	*100.0%*	*n/a*	*100.0%*	*n/a*
Revenue growth	*+7.7%*	*-3.9%*	*-4.5%*	*+2.9%*	*-25.3%*
EBITDA (pre AASB 16) growth	*-1.7%*	*-20.0%*	*-27.6%*	*+34.7%*	*-110.9%*
EBIT growth	*-6.8%*	*-39.5%*	*-62.8%*	*+168.7%*	*nmf[7]*
EBITDA (pre AASB 16) margin	*14.8%*	*12.4%*	*9.4%*	*12.3%*	*(1.8%)*
EBITDA (post AASB 16) margin	*14.8%*	*12.4%*	*9.4%*	*12.3%*	*5.3%*
EBIT margin	*7.9%*	*5.0%*	*2.1%*	*5.1%*	*(8.5%)*
Interest cover[8]	*3.0*	*1.7*	*0.6*	*1.7*	*(1.6)*

Source: Village and Grant Samuel analysis

[2] Village adopted the new Accounting Standard on Leases, AASB 16, from 1 July 2019. Reported results incorporating AASB 16 for FY20 reflect the impact of reversing $51.8 million in fixed lease costs that would otherwise have been expensed, and accounting for $34.8 million in depreciation of right-of-use assets, $16.5 million in interest on lease liabilities and $0.2 million in tax effect differences relating to the AASB 16 adjustments.

[3] EBITDA (adjusted) is earnings before net interest, tax, depreciation and amortisation, share of profits of equity accounted associates and significant and non-recurring items.

[4] EBIT (adjusted) is earnings before net interest, tax, share of profits of equity accounted associates and significant and non-recurring items.

[5] Outside equity interests relates to Village's 80% interest in Opia and 50.09% interest in Wet'n'Wild Las Vegas.

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The divisional contribution of EBITDA and EBIT (as reported) on a pre-AASB 16 basis is set out in the following table:

VILLAGE – EBITDA AND EBIT (PRE AASB 16) BY BUSINESS (AS REPORTED) ($ MILLIONS)

	YEAR ENDED 30 JUNE				
	2016	2017	2018	2019	2020
EBITDA (pre AASB 16) (as reported)[9]					
Theme Parks	88.0	55.9	38.3	76.5	36.3
Cinema Exhibition	82.0	76.6	58.1	53.9	8.5
Film Distribution	24.5	21.2	13.8	8.6	3.8
Marketing Solutions	8.0	9.8	8.3	5.3	3.1
Total EBITDA (pre AASB 16)	**202.4**	**163.6**	**118.5**	**144.3**	**51.7**
EBIT (pre AASB 16) (as reported)[10]					
Theme Parks	38.2	5.2	(8.3)	30.7	(6.2)
Cinema Exhibition	66.3	59.8	40.7	36.5	(7.7)
Film Distribution	21.0	17.7	10.6	5.1	0.2
Marketing Solutions	7.0	8.5	6.5	3.5	2.1
Total EBIT (pre AASB 16)	**132.5**	**91.1**	**49.5**	**75.8**	**(11.7)**

Source: Village
Note: Excludes corporate and unallocated costs.

Village's financial performance has fluctuated over the past five years largely reflecting the impact of the Dreamworld tragedy in October 2016, and more recently the COVID-19 pandemic and extreme weather events including floods and bushfires.

Revenue grew by 7.7% to $1.0 billion in FY16, bolstered by strong performance in Theme Parks supported by growth in Chinese tourism, and a record result in the Cinema Exhibition division (EBITDA $82 million) due to the box office success of key blockbuster titles including *Star Wars: The Force Awakens*, *Finding Dory, Hunger Games* and *Deadpool*.

In FY17, another strong year in the Cinema Exhibition business led by the success of *Rogue One: A Star Wars Story* and *Beauty and the Beast* was more than offset by a reduction in attendances at Australian theme parks following the Dreamworld tragedy in October 2016. Village reported a net loss of $67 million in FY17, reflecting a reduction in revenue and impairments associated with Wet'n'Wild Sydney ($55 million).

The reduction in revenue and earnings during the 2018 financial year was the result of:

- the continued impact of the Dreamworld tragedy on the broader theme park industry;
- lower than expected attendance at the company's Theme Parks over the peak school holiday Easter period in April 2018 due to the Gold Coast Commonwealth Games;
- the high fixed cost base of the Theme Park business; and
- the underperformance of certain titles in Film Distribution division coupled with the ongoing decline of the physical DVD market as the industry transitioned to digital.

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6 NPAT is net profit after tax.

7 nmf is not meaningful.

8 Interest cover is EBIT divided by net interest.

9 EBITDA (as reported) is earnings before net interest, tax, depreciation and amortisation and material items of income and expense.

10 EBIT (as reported) is earnings before net interest, tax and material items of income and expense.

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Despite difficult trading conditions, profitability improved in the last quarter of FY18 due to blockbuster releases and the divestment of Village's 50% interest in its Singapore Cinema Exhibition business for $154 million.

FY19 represented a turning point for Village, with revenue and EBITDA seeing positive year on year growth for the first time since FY16. EBITDA in the Theme Parks business increased around 100%, reflecting margin improvement from the successful introduction of a high yield ticketing strategy in the Theme Parks division and favourable weather conditions in the peak holiday period leading to increases in attendance. The strong performance was offset in part by underperformance in the Cinema Exhibition division, particularly in some of the smaller Australian States, a reduction in screen advertising sales and the impact of the new revenue recognition accounting standard, AASB 15.

While trading in the first half of FY20 was broadly in line with the previous year, the effect of the Australian bushfires on visitor numbers, together with the temporary closures of the Theme Parks due to floods, significantly affected financial performance in the third quarter of FY20. Based on government directives, Village temporarily closed its Gold Coast theme parks from 22 March 2020 and nationwide cinemas from 23 March 2020 as a result of COVID-19. As a result, full year FY20 revenue fell 25% to $731 million and EBITDA (pre AASB 16) was negative $13 million after adjusting for significant items.

Village has incurred various significant costs since FY16, as summarised below:

VILLAGE – SIGNIFICANT ITEMS ($ MILLIONS)

	YEAR ENDED 30 JUNE				
	2016	2017	2018	2019	2020
Net gains on divestments	0.5	5.6	158.1	11.1	2.0
JobKeeper and government grants	-	-	-	-	43.7
Impairment	(7.1)	(88.8)	(167.4)	(18.0)	(92.1)
Restructuring costs	(3.9)	(6.7)	(7.6)	(8.7)	(2.0)
Other non-recurring adjustments	(3.3)	7.6	(1.4)	(17.8)	0.3
Significant items (before tax)	**(13.9)**	**(82.2)**	**(18.3)**	**(33.4)**	**(48.1)**

Source: Village

These items constitute a total net loss of approximately $200 million (before tax) over the past five years. The major components were:

- net gains on divestments (including $154 million in FY18 from the sale of Village's 50% interest in the Singapore Cinema Exhibition joint venture);
- subsidies from the Australian government in response to COVID-19 (including $42 million under the Commonwealth Government's JobKeeper scheme and $1.7 million from the Supporting Australia's Exhibiting Zoos and Aquariums program in FY20);
- impairment losses (including $188 million over FY17-18 relating to theme park assets and $92 million in FY20 relating to various assets across the business as operating performance was significantly affected by COVID-19); and
- ongoing restructuring costs.

Village's operating performance is better understood by examining the performance of each of its key businesses. A more detailed analysis of the underlying performance of the Theme Parks, Cinema Exhibition, Film Distribution and Marketing Solutions businesses is set out in Section 4 of this report.

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On 28 August 2020, in conjunction with the release of its FY20 results, Village provided comments on market conditions and guidance on key financial metrics relating to FY21:

- Theme Parks recovery would take time given border closures;
  - interstate visitors and visitors from New Zealand were expected to return from October/November 2020 onwards; and
  - guests from other international markets were assumed not to visit the Theme Parks in FY21;
- Victorian cinemas would reopen in October 2020;
- release of major films would resume in late August 2020;
- operating cashflows were expected to be lower than usual in FY21;
- lower operating cashflows combined with reversals of rent and payment deferrals were expected to result in neutral to slightly positive free cash flow (before capital expenditure);
- Village was expected to continue operating on a negative cash basis for several months; and
- capital expenditure was anticipated to be in the region of $70-75 million, primarily relating to pre-committed capital for the Sea World theme park.

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3.3 Financial Position

The financial position of Village as at 30 June 2020 is summarised below:

VILLAGE – FINANCIAL POSITION ($ MILLIONS)

	AS AT 30 JUNE 2019	AS AT 30 JUNE 2020
Debtors and prepayments (current)	129.3	90.2
Inventories	23.1	17.5
Trade and other payables (current)	(279.1)	(225.5)
Provisions (current)	(31.4)	(24.7)
Net working capital	**(158.0)**	**(142.6)**
Debtors and prepayments (non-current)	17.6	9.0
Property, plant and equipment	656.2	520.3
Right-of-use assets	-	393.6
Goodwill	174.4	124.7
Intangible assets	65.5	55.0
Film distribution royalties	91.3	62.7
Equity accounted investments	32.5	28.9
Deferred tax assets (net)	8.0	63.9
Derivative financial instruments (net)	0.4	(0.1)
Other (net)	1.6	1.9
Deferred gain on sale and leaseback	(69.3)	(66.3)
Trade and other payables (non-current)	(51.4)	(21.5)
Provisions (non-current)	(8.7)	(7.4)
Total funds employed	**760.2**	**1,022.1**
Cash and deposits	61.7	63.8
Borrowings	(281.3)	(342.1)
Net cash/(borrowings) (excluding lease liabilities)	**(219.6)**	**(278.3)**
Lease liabilities	(106.1)	(495.9)
Net cash/(borrowings) (including lease liabilities)	**(325.7)**	**(774.2)**
Net assets	**434.5**	**247.8**
Outside equity interests[5]	(7.9)	(2.9)
Equity attributable to Village shareholders	**426.6**	**245.0**
STATISTICS		
Shares on issue at period end (million)	194.2	195.3
Net assets per share	$2.20	$1.25
NTA[11] per share	-$1.23	-$0.92
Gearing[12] (excluding ROU assets and lease liabilities)	0.34	2.10
Gearing[12] (including ROU assets and lease liabilities)	0.43	0.76

Source: Village and Grant Samuel analysis

[11] NTA is net tangible assets, which is calculated as net assets less intangible assets.

[12] Gearing is net borrowings divided by net assets plus net borrowings.

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The following should be noted in relation to Village's financial position:

- trade and other payables include unearned revenue of $64 million due to advance consideration received from customers for admissions tickets, annual and season passes, gift card and vouchers and the value of unredeemed customer loyalty points;
- debtors and prepayments are predominantly made up of licensing fee receivables from cinemas, television and digital customers attributable to the Film Distribution business;
- the majority of Village's total funds employed (approximately 89%) is represented by property, plant and equipment and right-of-use assets, reflecting the capital intensive nature of its business operations, particularly the Theme Parks division;
- intangible assets of $180 million represent the other significant balance sheet item, with goodwill contributing $125 million. Goodwill reflects acquisitions made by Village over time including the Gold Coast theme parks, Roadshow Distributors and Opia. Other intangible assets comprise capitalised software and acquired intangibles such as brand names, trademarks and customer contracts. Impairment charges across the business reflecting the declines in revenue following COVID-19 and the disposal of goodwill relating to the sale of Edge Loyalty Systems, have been principally responsible for the $60 million reduction in carrying value of goodwill and other intangible assets to $180 million;
- film distribution royalties of $63 million represent Village's minimum guaranteed royalty commitments to licensors in return for the acquisition of distribution rights;
- equity accounted investments of $29 million principally relate to Village's 31.03% interest in US based FilmNation Entertainment LLC, recognised as part of the Film Distribution business. Village also owns 20% of Village Roadshow Entertainment Group (BVI) Limited and 24.4% of iPic Entertainment Inc. Village carries these investments at nil in its accounts. The other key investment is Village's 80% ownership interest in Opia, recognised as part of the Marketing Solutions business, which is consolidated by Village (with the remaining 20% ownership interest included within the controlled entity acquisition reserve within equity). Village has recognised $6.4 million in payables and accruals relating to the put and call liability over the remaining 20% non-controlling interest in Opia;
- the $56 million increase in net deferred tax assets to $64 million primarily reflects the recognition of right-of-use assets and lease liabilities post adoption of AASB 16; and
- in December 2017, Village completed the sale and long-term leaseback of 154 hectares of freehold land on which its theme parks (Warner Bros. Movie World, Wet'n'Wild Water World, Paradise Country, Australian Outback Spectacular, Village Roadshow Studios and Topgolf) are located. This generated a deferred gain of which $66.3 million is remaining at 30 June 2020.

Net borrowings as at 30 June 2020 consisted principally of amounts drawn against a $230 million three year revolving facility and a $110 million five year term debt facility, offset by significant cash on hand, as follows:

VILLAGE – NET BORROWINGS ($ MILLIONS)

FACILITY	FACILITY SIZE	AMOUNT DRAWN	TERM/MATURITY
Revolving facility	229.6	(224.6)	January 2022
Term debt facility	110.4	(110.4)	January 2024
Other facilities		(7.1)	
Total borrowings		**(342.1)**	
Cash and cash equivalents		63.8	
Net cash/(borrowings) (excluding lease liabilities)		**(278.3)**	
Lease liabilities		(495.9)	
Net cash/(borrowings) (including lease liabilities)		**(774.2)**	

Source: Village

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Village's bank debt facilities have no scheduled amortisation and are subject to variable interest rates, which Village has partially hedged. The loans are secured by guarantees from and charges over Village and various subsidiaries. Due to the impact of the COVID-19 pandemic on operating cashflows, Village obtained a waiver of its debt covenants at 30 June 2020 which will not be tested until 31 March 2021.

On 6 August 2020, Village announced that it had secured additional funding of $69.5 million from its existing lenders and the Queensland Treasury Corporation. $42.5 million of the new facility is a short-term facility of 12 months with the balance having a five year tenor. The new facility has no scheduled amortisation and is subject to interest at variable interest rates. As part of securing the additional funding, Village provided an undertaking to raise a minimum of $35 million through new shareholder equity or equity like instrument by the earlier of Village's half year announcement (in February 2021) or three months after the termination of a transaction with BGH. Village expects this additional $69.5 million funding will be sufficient to fund its cash needs for the next 12 months.

Village has entered into leases for cinemas, offices and other operational location sites. Property leases are typically for up to 25 years and often have extension options. Plant and equipment leases are typically for 1 to 5 years. As required under AASB 16, Village capitalised the liabilities under these leases and accounted for corresponding right-of-use assets for the first time in FY20. Lease liabilities of $495.9 million have been recognised as at 30 June 2020.

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3.4 Cash Flow

Village's cash flow for the five years ended 30 June 2020 is summarised below:

VILLAGE – CASH FLOW ($ MILLIONS)

	YEAR ENDED 30 JUNE				
	2016	2017	2018	2019	2020
EBITDA (pre AASB 16) (adjusted)	**154.0**	**123.2**	**89.3**	**120.2**	**(13.1)**
EBITDA (post AASB 16) (adjusted)	**154.0**	**123.2**	**89.3**	**120.2**	**38.7**
Cash impact of significant and non-recurring items	(7.3)	(1.5)	(9.0)	(10.8)	23.9
Change in working capital and other adjustments	(23.8)	30.9	(42.2)	(31.8)	3.1
Capital expenditure (net)	(98.9)	(79.5)	(84.9)	(47.9)	(61.9)
Operating cash flow	**23.9**	**73.1**	**(46.8)**	**29.7**	**3.8**
Tax received/(paid)	(22.9)	(7.3)	9.8	(6.4)	(4.8)
Net interest paid	(25.0)	(27.8)	(26.8)	(22.4)	(34.6)
Lease payments	-	-	-	-	(33.9)
Dividends paid	(45.0)	(22.6)	-	-	(9.7)
Acquisitions	(59.3)	(7.5)	(2.1)	-	-
Divestments	2.0	0.4	263.8	52.2	23.4
Proceeds from share issues	2.8	-	-	49.2	-
Proceeds from borrowings (net)	95.6	27.6	(227.9)	(124.8)	59.1
Other	(1.3)	0.4	(7.5)	20.1	(1.1)
Net cash generated/(used)	**(29.2)**	**36.4**	**(37.4)**	**(2.3)**	**2.2**
Cash and cash equivalents - opening	*95.3*	*64.3*	*100.4*	*63.4*	*61.7*
Effects of exchange rate movements	*(1.8)*	*(0.4)*	*0.4*	*0.5*	*(0.1)*
Cash and cash equivalents - closing	*64.3*	*100.4*	*63.4*	*61.7*	*63.8*
STATISTICS					
Operating cash conversion ratio[13] (pre AASB 16)	*15.5%*	*59.3%*	*(52.4%)*	*24.7%*	*(29.2%)*
Operating cash conversion ratio[13][13] (post AASB 16)	*15.5%*	*59.3%*	*(52.4%)*	*24.7%*	*9.9%*

Source: Village and Grant Samuel analysis

Cash flows from operations across the period have been modest, with free cash flows principally applied to funding capital expenditure. Over the past five years, the split between maintenance and growth capital expenditure has, on average, been approximately 50%/50%. The Theme Parks division has accounted for 60-70% of group capital spend.

The only material acquisition Village has made in the past five years has been the acquisition in FY16 of a 80% interest in the Opia Marketing Solutions business. The transaction was funded from existing cash reserves and debt facilities.

Village achieved a material increase in positive operating cash flow in FY17 to $73 million due to the unwinding of working capital. This was largely driven by the timing of film distribution royalties.

In FY18, significant cash flow was generated from the sale of Village's 50% interest in Golden Village Singapore ($164 million) and the sale and leaseback of freehold land on the Gold Coast ($100 million), which was predominantly used to repay debt. Overall, net cash flows were negative as EBITDA stagnated while capital expenditure remained high.

[13] Operating cash conversion ratio is operating cashflow divided by EBITDA.

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The business continued to de-lever in FY19 with significant debt reductions funded in part by an equity raising ($49 million), the sale of Wet'n'Wild Sydney ($37 million) and the sale and leaseback of a drive-in cinema property in Coburg, Victoria ($12 million).

FY20 operating cash flow was materially lower than the previous year as Village operated on a negative cash basis for a number of months in the second half of the financial year, reflecting the impact of COVID-19 on the business. The sale of Edge Loyalty Systems generated cashflow of $23 million.

3.5 Other Financial Items

Taxation Position

Under the Australian tax consolidation regime, Village and its wholly owned Australian resident entities have elected to be taxed as a single entity.

At 30 June 2020, Village had carried forward income tax losses of approximately $51 million and carried forward Australian capital losses of approximately $69 million, none of which was recognised in the balance sheet. Village does not expect to pay income tax in the short to medium term due to its ability to utilise carried forward income tax losses.

At 30 June 2020, Village had a franking credit deficit of $5.9 million after adjusting for movements from the company's current tax refund amounts recorded at year end.

Contingencies

Village has not disclosed any contingent assets or liabilities outside the normal course of business.

3.6 Capital Structure and Ownership

3.6.1 Capital Structure

Village has 195,300,579 ordinary shares on issue including 6,799,694 'in substance options' over restricted ordinary shares, of which 4,034,027 are exercisable.

Village operates a long term incentive plan under which executives and senior employees are granted rights over ordinary shares, which are treated as 'in substance options'. The restricted shares are held directly by the employee, who pays for the allotment by obtaining a loan from Village. Village holds security over the shares. Shares become free of restrictions subject to achievement of total shareholder return performance hurdles, service conditions and vesting periods. 'In substance options' are entitled to dividends and voting rights. There are no provisions for the automatic removal of holding restrictions on the relevant shares in the event of a change of control.

Restricted shares are forfeited on termination of employment and the loan on the remaining unrestricted shares must be repaid within six months. In circumstances where the market value of the remaining unrestricted shares at the end of the six months is less than the amount owing on the loan, Village will buy-back and cancel the shares in repayment of the loan.

Village also operates a short term incentive plan under which senior executives may be entitled to a cash amount for achievement of established annual performance objectives.

3.6.2 Ownership

At 14 September 2020 there were 6,407 registered shareholders in Village. The top 20 shareholders accounted for approximately 81% of the ordinary shares on issue and are principally Village senior management and institutional nominee or custodian companies. Village has a significant retail investor base with around 92% of registered shareholders holding 10,000 shares or less although this represents

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less than 6% of shares on issue. Village shareholders are predominantly Australian based investors (over 96% of registered shareholders and 99% of securities on issue).

Village has received notices from the following substantial shareholders:

VILLAGE – SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER	DATE OF NOTICE	NUMBER OF SHARES	PERCENTAGE[14]
BGH and related entities[15]	6 August 2020	77,940,322	39.91%
Village Roadshow Corporation Pty Limited	23 October 2018	77,940,322	39.91%
Mittleman Investment Management, LLC	2 October 2020	19,710,554	10.09%
Vijay Vijendra Sethu	30 May 2014	9,948,235	5.09%

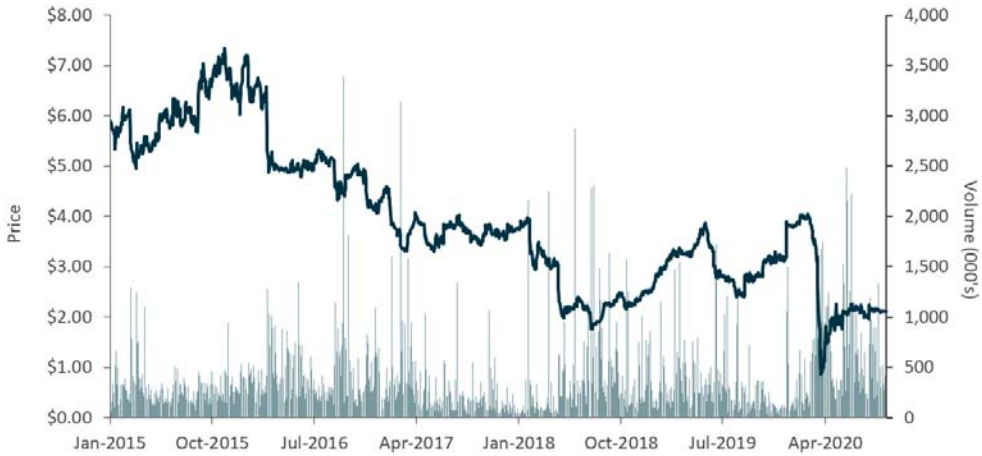
Source: Village

3.7 Share Price Performance

3.7.1 Share Price History

The following graph illustrates the movement in the Village share price and trading volumes since 1 January 2015:

VILLAGE – SHARE PRICE AND TRADING VOLUME
(1 JANUARY 2015 – 11 SEPTEMBER 2020)



Source: IRESS

The Village share price generally trended up across 2015, reaching a high of $7.35 in November. Despite a record result in the Cinema Exhibition business led by the success of *Star Wars: The Force Awakens*, Village reported a net loss for the first half of FY16 and the share price fell 13% on 25 February 2016. The Village share price continued to trend down over the next 12 months, driven by a reduction in attendances at the Gold Coast Theme Parks following the Dreamworld tragedy in October 2016. Dips in share price during this period coincided with the release of financial results. The Village share price closed at $3.31 on 6 March 2017.

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[14] Based on 195,300,579 shares on issue.

[15] BGH and related entities have a relevant interest in the 77,940,322 Village shares held by Village Roadshow Corporation Pty Limited by virtue of the Joint Bidding Agreement dated 6 August 2020.

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In April 2017, Village announced a restructure of Village Roadshow Entertainment Group, with Village reducing its shareholding from 50.17% to 20%. Village also announced its intention to sell its 50% interest in the Golden Village Singapore joint venture in May 2017. Despite Village's net loss of $66.7 million for the year ended 30 June 2017, the share price recovered somewhat and traded in the range of $3.39-4.04 over the remainder of 2017.

Village revised its FY18 guidance down on 30 January 2018 and again on 17 April 2018, causing share price falls of 11% and 15% on those days respectively. However, following the successful completion of an entitlement offer in July 2018, the Village share price steadily climbed over the next 10 months and reached a high of $3.86 on 15 May 2019. Over this period, Village also completed a refinancing of its debt facility and the sale of Wet'n'Wild Sydney with proceeds used to reduce debt.

On 7 June 2019, Village released a strategy update providing a trading update and outlining plans to address the structural decline in the Gold Coast Theme Parks market. The share price fell to $3.00, approximately 22% down from its May 2019 high, largely reflecting uncertainty around corporate strategy and changes to Board and management structure, weakness in Cinema Exhibition and non-core assets and high capital expenditure guidance. While there were subsequent upticks in the share price associated with the release of Village's FY19 results (in August 2019) and presentation at the Citi 11th Annual Australian and New Zealand Investment Conference (in October 2019), the share price remained below $3.30.

The Village share price closed at $3.20 on 18 December 2019, the last trading day prior to receipt of the indicative proposal from Pacific Equity Partners Pty Ltd ("PEP"). On announcement of the proposal, the share price jumped to just below the offer price of $3.90. The share price traded within the range of $3.79-$3.90 before closing at $4.02 following the announcement on 24 January 2020 of the initial indicative proposal from BGH.

From March 2020, the Village share price fell rapidly as the COVID-19 pandemic worsened globally. The COVID-19 sell-off bottomed in mid-March 2020 with the Village share price closing at $0.86 on 19 March 2020. Following announcement of the revised BGH offer on 18 May 2020, Village shares have traded broadly in the range $2.00-2.25.

3.7.2 Liquidity

Village has been a relatively liquid stock although it has a free float of only approximately 60%. Average weekly volume over the twelve months prior to the announcement of the proposal from PEP represented approximately 0.6% of average shares on issue or annual turnover of around 33% of total average issued capital (55% of free float).

3.7.3 Relative Performance

Village is a member of various ASX indices. At 11 September 2020 it had weightings of approximately 0.02% in each of the S&P/ASX 300 index and the ASX All Ordinaries index. The following graph illustrates the performance of Village shares since 1 January 2015 relative to Ardent Leisure Group Limited ("Ardent"), Event, the ASX All Ordinaries index and the S&P/ASX 200 Consumer Discretionary index:

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VILLAGE VS. ARDENT VS. EVENT VS. ASX ALL ORDINARIES INDEX VS. S&P/ASX CONSUMER DISCRETIONARY INDEX (1 JANUARY 2015 – 11 SEPTEMBER 2020)

Source: IRESS

The chart above shows that:

- the consumer discretionary sector (represented by the S&P/ASX 200 Consumer Discretionary Index) has consistently outperformed the market as a whole (represented by the ASX All Ordinaries Index) over the last five and a half years, reflecting sustained increases in consumer spending; and
- the Village share price has materially underperformed both indices since early 2016.

It is worth noting that the S&P/ASX 200 Consumer Discretionary index comprises companies in sectors of the consumer discretionary industry other than entertainment and leisure, such as food and beverage, automobiles, retailing and apparel. As such, it is arguably more appropriate to compare the share price performance of Village to that of Ardent, its main competitor in the Australian theme parks sector. Trading in Village shares has generally been consistent with that of Ardent, other than:

- the period of outperformance in 2015 as a result of poor trading in Ardent shares following an unexpected change of Chief Executive Officer;
- the period of underperformance following the downgrades of Village earnings guidance in 2018; and
- positive movements in the Village share price related to the announcements of the indicative proposals received in December 2019 and January 2020.

Trading in Village shares has generally underperformed that of Event, its joint venture partner in the Australian cinema exhibition sector, over the period primarily due to the exposure of Village to the theme parks sector and the resulting negative tailwinds which affected that industry following the Dreamworld tragedy.

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4 Business Operations

4.1 Theme Parks

Overview of the Theme Parks Industry

The Gold Coast, Queensland, is home to the largest concentration of themed attractions in the southern hemisphere. Despite having fewer amusement and theme parks than New South Wales and Victoria, Queensland attracts the greatest number of visitors and accounts for approximately 40% of the total revenue generated for the Australian amusement and theme park industry[16].

The key driver behind revenues of theme parks is attendance levels, which are heavily dependent on the volume and mix of domestic and international visitors to Australia. Factors affecting travel, such as economic growth, movements in real household income and people's ability to undertake a day or overnight trip, can directly impact industry revenues. The primary markets for theme parks are teenagers and families.

For the major Australian theme parks located on the Gold Coast, approximately 80% of customers are attracted from the domestic market, with approximately 50% of customers coming from Queensland. Accordingly, theme park attendance is highly sensitive to trends in domestic and international travel. IBISWorld estimated that approximately 25% of international visitors to Queensland are expected to visit at least one of the major Gold Coast theme parks[16].

The industry is also reliant on repeat customers and competes directly with other recreational, leisure and entertainment opportunities. In order to attract repeat visitation, theme parks require regular investment in new attractions and targeted marketing. Theme parks generally aim to introduce major new attractions every three to five years.

Industry revenue has declined over the past five years despite rising tourism, mainly due to a tragic accident on a ride at the Dreamworld theme park operated by Ardent that resulted in the death of four people in October 2016. The drop in industry revenue has been accentuated by the COVID-19 pandemic. Lockdown restrictions and border closures have severely limited domestic and international travel and resulted in temporary theme park closures in Australia and globally.

The Federal Government announced on 28 April 2020 that it would provide $94.6 million in COVID-19 support to Australia's zoos, aquariums and animal sanctuaries. In addition, on 19 May 2020 the Queensland Government announced a $50 million funding package to support tourism businesses, including theme parks and wildlife attractions, in their recovery from the COVID-19 crisis.

Tourism in Australia

International tourist numbers to Australia declined from 2001 to 2003 due to the impact of terrorist acts, the SARS virus, and slower international economic growth in general, as illustrated in the graph below:

[16] Source: IBISWorld, Amusement Parks and Centres Operation in Australia, December 2019.

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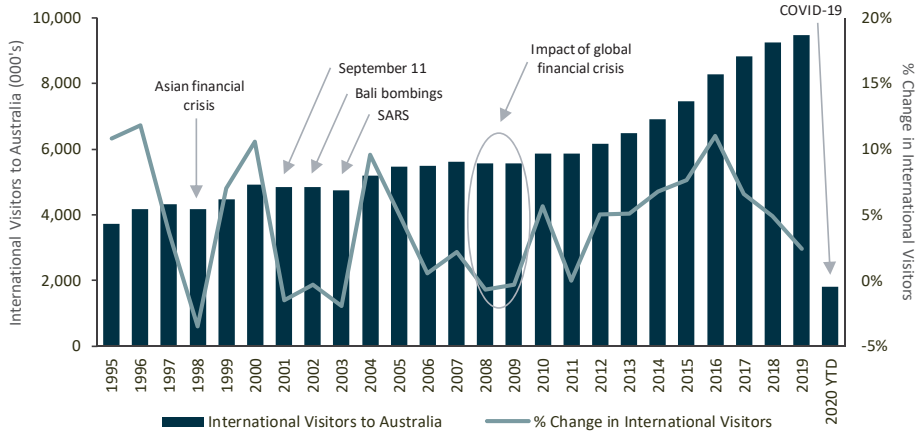
INTERNATIONAL VISITORS TO AUSTRALIA
(1995 – JUNE 2020 YEAR-TO-DATE)

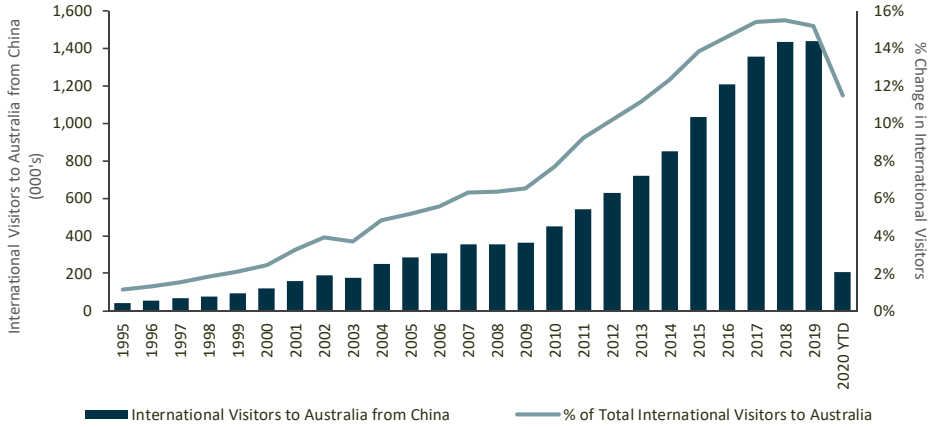


Source: Australian Bureau of Statistics, Overseas Arrivals and Departures, 3401.0
Note: 2020 numbers represent 6 months to June 2020.

From 2004 to 2007 international visitor numbers returned to positive growth, peaking in 2007 with 5.6 million international visitors for the year. However, the global financial crisis had an impact on the number of international visitors, with a negative growth in 2008 and 2009. Since then, as the global economy recovered, international visitors grew year on year between 2010 to 2019, with total expenditure by international visitors for 2019 at $45.4 billion, representing a 3% increase on 2018[17].

Much of the growth in recent years can be attributed to Chinese tourism. In the 10 years to 2019, Chinese visitors to Australia grew from 0.4 million to 1.4 million representing a CAGR of 15%. China contributed the largest source of international visitors for Australia in 2019, surpassing New Zealand.

INTERNATIONAL VISITORS TO AUSTRALIA FROM CHINA
(1995 – JUNE 2020 YEAR-TO-DATE)



Source: Australian Bureau of Statistics, Overseas Arrivals and Departures, 3401.0
Note: 2020 numbers represent 6 months to June 2020.

[17] Source: Tourism Research Australia.

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In Australia, two major events over the last 12 months have significantly affected domestic and international tourism. Firstly, the extreme bushfires across much of Australia over the summer of 2020 directly affected key Australian tourism destinations and led to trip cancellations from key markets in United States, United Kingdom and China. Secondly, the emergence of COVID-19 in Australia and the declaration by the World Health Organisation on 11 March 2020 of a global pandemic have triggered a crisis in the tourism industry.

In response to the COVID-19 pandemic, the Federal Government implemented international travel bans from 24 March 2020, which had the immediate impact of effectively halting international tourism. For the 6 months to June 2020, there were 1.8 million international visitors compared to 4.5 million in the prior corresponding period, representing a 60% reduction.

There were 34.3 million domestic overnight trips within Australia in the six months to June 2020, 43% less than during the same period in the prior year. Expenditure by overnight visitors for the period amounted to $21.7 billion, representing a 45% decrease on the same period in 2019[17].

Overview of Operations

Village owns and operates Australia's largest theme park business with three of the country's major theme parks, located on the Gold Coast in Queensland:

- Warner Bros. Movie World ("Movie World");
- Sea World; and
- Wet'n'Wild Water Park ("Wet'n'Wild").

In excess of 4 million people visit these three parks each year. Village became the sole owner of these theme parks in July 2006 when it bought out the remaining interests of Warner Bros. Village also acquired the remaining minority interest in the Sea World Nara Resort in September 2006, adjacent to Sea World, which has subsequently been renamed Sea World Resort & Water Park ("Sea World Resort"). Village's other theme park operations are Paradise Country, Australian Outback Spectacular, Village Roadshow Studios, Topgolf, Wet'n'Wild Las Vegas and management rights to operate Lionsgate Entertainment World on Hengqin Island in China.

In November 2013, Village announced that it had agreed to sell Wet'n'Wild Phoenix and that it would end its lease of Wet'n'Wild Hawaii. Wet'n'Wild Sydney opened in December 2013 and was sold in June 2018. Village divested its aquarium and attractions businesses, including Sydney Attractions Group and Kelly Tarlton's Underwater World and other Sydney based attractions in 2011.

Village entered into a joint venture licence agreement to acquire the exclusive rights to Topgolf in 2016. The first Topgolf venue in Australia opened in June 2018 and is located on the Gold Coast next to the company's Movie World and Wet'n'Wild theme parks.

In response to the COVID-19 pandemic, Village temporarily closed its Gold Coast theme parks (Movie World, Wet'n'Wild, Sea World and Paradise Country) and Topgolf from 22 March 2020 following government directives. Staggered re-openings commenced over June and July 2020 under an industry approved COVID Safe plan with park capacity reduced to 50%. Due to the temporary shutdowns, attendance levels at the Gold Coast theme parks declined by approximately 20% in FY20.

The key revenue drivers behind each of the Theme Parks businesses are:

- attendance levels and ticket sales; and
- food and beverage and retail sales.

Attendance at each of the theme parks and attractions is made up of local, interstate and international visitors. Notably:

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- in the Gold Coast theme park market, Village has recognised the increasing importance of international visitors. International visitor numbers have grown from approximately 16% of attendees in FY09 to approximately 21% of attendees in FY19, in line with an increase in inbound international tourism in Australia across the period. Tourism is Australia's largest services export. Traditionally, a large number of international visitors have come from New Zealand and Japan. However, over the last decade China has become the primary source of international visitors to Australia; and
- domestic visitor numbers (including local and interstate) to Village's Gold Coast theme parks have declined, not only as a proportion of total visitors, but also in absolute numbers. In FY19, Village had a total of 3.5 million domestic visitors to its Gold Coast theme parks representing 78% of attendees, compared to 3.4 million domestic visitors representing 84% of attendees in FY09. This highlights the need to attract repeat customers. In order to attract repeat visitation, Village continues to invest regularly in new attractions as well as providing incentives or discounts.

The Village Theme Parks division is the market leader in Australia with over 77% of the Gold Coast theme park visitation market. The division has a number of key competitive advantages:

- the substantial barriers to entry faced by potential new industry participants, due to the significant capital expenditure required to establish a theme park and the limited availability of suitable locations and themes;
- strong brand recognition and exclusive access to Warner Bros. intellectual property rights;
- access to large land holdings with long term leases in place; and
- the cross-selling opportunities and other "network" benefits offered by Village's four Gold Coast theme parks. These parks are in close geographic proximity and can therefore offer attractive and powerful cross selling promotions (for example, theme park hotels). Management believes that these promotions, which result in strong domestic visitation growth, provide a competitive advantage over its primary competitor, which has only two theme parks, Dreamworld and WhiteWater World.

An outline of each of Village's theme parks and attractions businesses is set out below:

Warner Bros. Movie World

Movie World is Australia's only movie related theme park and includes movie themed thrill rides, behind-the-scenes action plays, comedy stunt shows and various other attractions. It is located on the Gold Coast on a 154 hectare site, which also includes Wet'n'Wild, Paradise Country, Australian Outback Spectacular, Village Roadshow Studios and Topgolf. Village completed the sale and leaseback of the freehold land in December 2017.

Movie World's major attractions include the *DC Rivals Hypercoaster*, *Superman*, *Batwing*, *Green-Lantern*, *Scooby-Doo Spooky Coaster Next Generation* and *Wild West Falls Adventure Ride*, as well as several themed shows.

Village has a long-term licence agreement with Warner Bros. and controls the Warner Bros. Movie World brands in Australia.

Movie World attracts approximately 1.8 million visitors per year. Like most theme parks globally, FY20 was challenging for Movie World, with total attendances around 22% lower than for FY19, primarily as a result of the Australian bushfires and COVID-19.

Sea World

The Sea World theme park provides marine related experiences through a range of rides, animal shows and exhibitions on the Spit at Main Beach on the Gold Coast. Sea World and Sea World Resort are located on a Crown leasehold site of 25 hectares. The long term lease with the Queensland Government expires in 2057.

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Sea World's major attractions include *Storm Coaster*, *Jet Rescue*, *Castaway Bay*, *Battle Boats*, *Nick Land* and the new *Spooky Nights* events. In May 2019, Village announced a $50 million capital expenditure program focused on the *New Atlantis Precinct* at Sea World and featuring three new attractions including the *Vortex*, the *Trident* and the *Leviathan* wooden rollercoaster which are slated for progressive launch from 2020.

Village owns the exclusive rights to the Sea World brand in Australia.

Sea World attracted approximately 1.1 million visitors in FY20, a reduction of 23% on FY19.

Sea World Resort & Water Park

Village also owns 100% of the low rise Sea World Resort & Water Park, a 400 room family style hotel located adjacent to Sea World on the Spit at Main Beach on the Gold Coast. Sea World Resort is linked to Sea World by monorail and walking paths, with guests generally having unlimited access. The resort has consistently operated at or above 87% occupancy over the past five years. Average room rates and length of stay have also increased in recent years.

An 800 person conference centre opened at Sea World Resort in 2017, resulting in the corporate market accounting for approximately 20% of revenue.

Wet'n'Wild Water Park

The Wet'n'Wild theme park is a large water park located next to Movie World. Wet'n'Wild focuses on providing water based entertainment for its customers through attractions, including a range of thrill seeking slides, a giant wave pool and a large outdoor cinema in the wave pool. Wet'n'Wild ranked in the top 10 waterparks globally based on attendance levels in 2019[18].

Wet'n'Wild attracted approximately 800,000 visitors in FY20, representing a 8% decrease on FY19.

Paradise Country

Paradise Country is an Australian animal and farm experience, located on the Movie World site on the Gold Coast. The themed attraction seeks to provide customers with an authentic Australian homestead, farm life and outback adventure experience. Paradise Country is now included as a fourth theme park offering in Village's annual ticket passes.

Australian Outback Spectacular

Australian Outback Spectacular is a night show staged in a 1,000 person arena also located on the Movie World site. The event is dinner and outback-themed show. A new show, *Heartland*, launched in late November 2019.

Village Roadshow Studios

Village Roadshow Studios is wholly owned by Village and is a purpose-built film production facility located next to Movie World on the Movie World site.

The studios offer film production facilities comprising nine sound stages, three water tanks, 10 production offices, editing suites, wardrobe, makeup, construction, paint and carpentry shops. Village Roadshow Studios is one of the largest studio lots in the Southern Hemisphere.

Revenues are primarily derived from stage and office rentals as well as the provision of consulting services.

Over the last few years, film production in Australia, and more particularly Queensland, has become highly cost effective for producers, primarily driven by Federal and State Government incentives and rebates. The success of the Studios in attracting international film productions is highly dependent on the Australian dollar exchange rate. The business is highly competitive with similar other businesses in other countries.

[18] Themed Entertainment Association, TEA/AECOM 2019 Theme Index and Museum Index: The Global Attractions Attendance Report

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Topgolf

Topgolf is a 15 acre golf entertainment complex located adjacent to Movie World. The three level venue is fitted with 90 climate-controlled hitting bays that can host up to six players at one time as well as a large private event space for corporate and social gatherings.

Topgolf opened in June 2018 after two years of planning and construction. Village operates Topgolf under a joint venture agreement ("Topgolf JV") with Topgolf Australia Pty Ltd ("Topgolf Australia"), a subsidiary of Topgolf International, Inc. Village's ownership percentage in the Topgolf JV is 96.3%. Topgolf Australia has an option to increase its ownership in the Topgolf JV to 33.33% at any time prior to 31 December 2020.

Village owns the exclusive rights to the Topgolf concept in Australia.

Topgolf hosted 297,000 visitors in FY20 (416,000 in FY19) and reported EBITDA of $2.5 million.

Wet'n'Wild Las Vegas

Wet'n'Wild Las Vegas is Nevada's largest water park featuring over 25 slides and attractions. The park opened in May 2013 and covers a total area of 41 acres.

Village owns a 50.09% interest in the park, while the remaining interests are held by private investors.

Lionsgate Entertainment World

Lionsgate Entertainment World opened in July 2019 at *Novotown* on Hengqin Island, China. The park features 30 movie-themed interactive attractions and spans 22,000 square metres of indoor space.

The park was developed by Hong Kong's Lai Sun Group. Village has management rights to operate the park and receives management fees.

Financial Performance

The performance of Village's Theme Parks business for the five years ended 30 June 2020 is summarised below:

THEME PARKS BUSINESS – FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR ENDED 30 JUNE				
	2016	2017	2018	2019	2020
Total Attendance ('000s)	**6,313**	**5,726**	**5,377**	**5,143**	**4,061**
Revenue (including inter-segment sales)	**324.3**	**295.6**	**296.7**	**329.7**	**258.8**
EBITDA (pre AASB 16) (as reported)[9]	**88.0**	**55.9**	**38.3**	**76.5**	**36.3**
Lease expense	-	-	-	-	3.6
EBITDA (post AASB 16) (as reported)[9]	**88.0**	**55.9**	**38.3**	**76.5**	**39.9**
Depreciation and amortisation	(49.7)	(50.7)	(46.6)	(45.8)	(44.1)
EBIT (as reported)[10]	**38.2**	**5.2**	**(8.3)**	**30.7**	**(4.3)**
Capital expenditure	61.5	53.8	54.7	32.1	35.8
STATISTICS					
Revenue growth (%)	*+3.1%*	*-8.8%*	*+0.4%*	*+11.1%*	*-21.5%*
EBITDA (pre AASB 16) growth (%)	*+0.6%*	*-36.5%*	*-31.4%*	*+99.8%*	*-52.6%*
EBIT growth (%)	*-1.5%*	*-86.4%*	*-259.9%*	*nmf*	*nmf*
EBITDA (pre AASB 16) margin (%)	*27.1%*	*18.9%*	*12.9%*	*23.2%*	*14.0%*
EBITDA (post AASB 16) margin (%)	*27.1%*	*18.9%*	*12.9%*	*23.2%*	*15.4%*
EBIT margin (%)	*11.8%*	*1.8%*	*-2.8%*	*9.3%*	*-1.6%*
Capex as a % of EBITDA (pre AASB 16)	*69.9%*	*96.3%*	*142.9%*	*41.9%*	*98.7%*
Capex as a % of depreciation and amortisation	*123.7%*	*106.2%*	*117.4%*	*70.0%*	*81.2%*

Source: Village and Grant Samuel analysis

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In reviewing the performance of the Theme Parks division, the following should be noted:

- Village adopted the new Accounting Standard on Leases, AASB 16, from 1 July 2019. Reported results incorporating AASB 16 for FY20 reflect the impact of reversing $3.6 million in fixed lease costs that would otherwise have been expensed, and accounting for $1.6 million in depreciation of right-of-use assets, $1.8 million in interest on lease liabilities and $0.1 million in tax effect differences relating to the AASB 16 adjustments;
- the Dreamworld tragedy in October 2016 placed significant pressure on the industry. EBITDA for the Theme Parks business fell by 36% in FY17 and 31% in FY18. Attendances were also lower than expected in FY18 as the Easter school holidays in April 2018 coincided with the Commonwealth Games;
- in FY19, revenue increased by around 11% to $330 million as Village shifted its strategy from a volume based approach to a yield based premium offering, with higher priced annual and multi-day passes. Margins improved significantly with EBITDA up nearly 100%; and
- the profitability of the Theme Parks business fell sharply in 2020. Strong performance in the first half of FY20 on the back of attendance growth was more than offset by weather events (including floods and fires) and the temporary park closures and reduced visitation in response to COVID-19.

Strategy & Outlook

Given the ongoing Queensland border closure with Victoria and New South Wales, restrictions on international travel and uncertain economic outlook, the timing for a recovery in the Theme Parks business to pre-COVID levels is unclear. Village management expects that trading will be significantly poorer than usual across at least the first half of FY21.

Capital expenditure for the Theme Parks division for FY21 is anticipated to be between $50-55 million. The majority of this capital expenditure relates to the *New Atlantis Precinct* at Sea World, the refurbishment of the Sea World Resort and the decommissioning of end of life rides.

The Theme Parks division aims to differentiate its product offering through improving the customer experience and dynamic marketing. Over the longer term, Theme Parks is focused on furthering its "premiumisation" and high yield ticket pricing strategy. Theme Parks continues to pursue key projects in Asia, with a focus on management operating agreements and limited capital investment.

4.2 Cinema Exhibition

Overview of the Cinema Exhibition Industry

The global box office market increased around 1% to US$42 billion in 2019. The North American market constitutes approximately 27% of the global exhibition market. Australia is the 10th largest box office market globally outside United States and Canada[19].

A range of factors affect attendance levels including the quality and popular appeal of films, promotional spend on the films, ticket price, general economic conditions, population growth, household disposable income and competition from other leisure activities.

A cinema exhibition business has three key revenue sources: ticket sales, concession (i.e. food and beverage) sales and advertising. Each of these is driven primarily by attendance levels. An exhibition business is fundamentally dependent on the quality and popularity of films for its success. The business will generally perform best when there is a consistent spread of popular films throughout the year. The major costs in an exhibition business are film hire, rent and labour. The typical film hire arrangements

[19] Source: Motion Picture Association, 2019 THEME Report.

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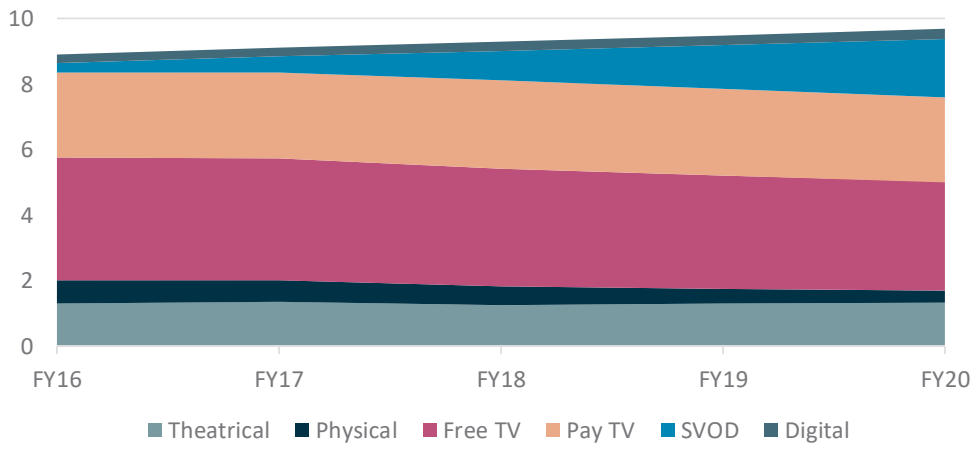
mean that films that run for long periods are the most profitable for the exhibitors, as the film hire cost typically drops significantly over time.

There has been a notable increase over the past decade to consuming more filmed entertainment from home, with streaming video on-demand ("SVOD") platforms providing a fast growing alternative to cinema theatres. Consumers are increasingly using SVOD services, such as Netflix and Disney+, and other software to stream or download films, both legally and illegally, for home viewing. These services are expected to surge in popularity as 'stay at home' measures continue in response to COVID-19. Cinema operators have responded by improving the quality of customer service and delivering value-added experiences such as 3D/4D screenings, Gold Class, Vmax, Vpremium and Vjunior. The following chart shows trends in Australian consumer spending on film entertainment:

AUSTRALIAN CONSUMER SPEND ($ BILLIONS)
(FY16 – FY20)



Source: Village
Note: FY19-20 based on projections made in April 2019.

The chart shows that total consumer spend was projected to grow from $8.9 billion to approximately $9.7 billion over the four years to 2020, representing an annualised growth rate of 2.2%. Almost all of this growth was expected to be from strong growth in SVOD which would offset the fall in physical video products. Consumer spend on theatrical exhibition and pay TV was estimated to be essentially flat across the period, while spend on free-to-air TV would fall.

The COVID-19 pandemic has had a significant impact on the exhibition industry as public health measures implemented to curb the spread of the virus have forced a number of cinemas to close. Further, a number of potential blockbuster films (including *Black Widow*, *Wonder Woman 1984* and *Bond: No Time To Die*) have seen their release dates postponed, with some studios opting to release films (such as *Mulan* and *Greyhound*) direct to consumers via streaming services. Overall, IBISWorld estimates a 26% decline in Australian industry revenues for the 2020 financial year[20].

Cinema Exhibition in Australia

The Australian exhibition market grossed $1.2 billion at the box office in the 2019 calendar year, with admissions of nearly 85 million[21]. Cinema admissions and box office takings have remained relatively flat

[20] Source: IBISWorld, Cinemas in Australia, April 2020.

[21] Source: Screen Australia.

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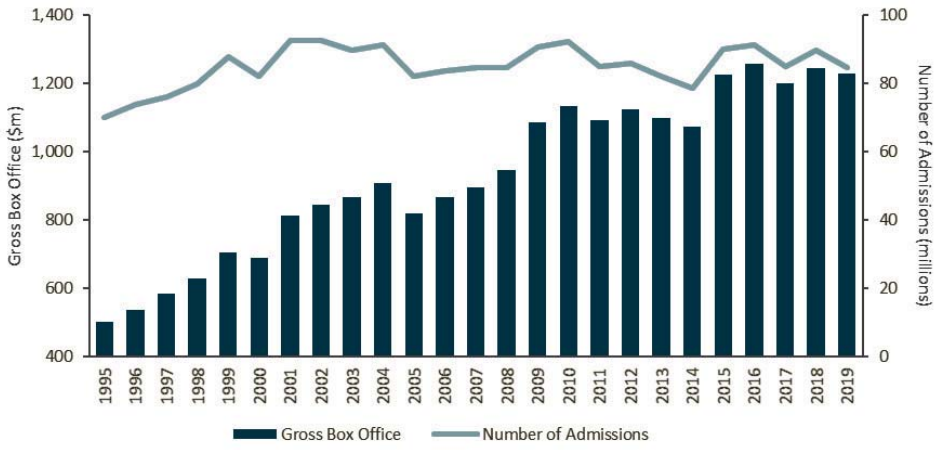
over the past five years despite a rise in the number of cinemas screens in Australia, a consequence of increased competition from SVOD platforms and pay TV:

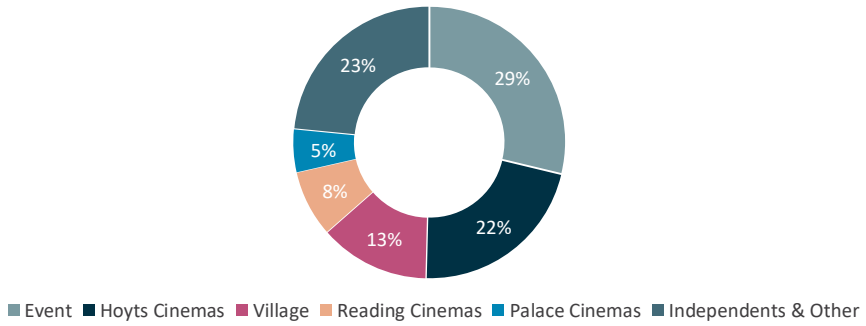
AUSTRALIAN BOX OFFICE AND ADMISSIONS
(1995 – 2019)



Source: Screen Australia

The three major participants in the Australian market are Village (through its Cinema Exhibition division), Hoyts Cinemas and Event, together accounting for approximately 64% of national market share. Village and Event have a joint venture which covers the majority of their sites. In addition, there are a number of independents and smaller operators. Reading Cinemas from the United States and Australian boutique chain Palace Cinemas hold only a relatively small market share:

AUSTRALIAN BOX OFFICE MARKET SHARE (BASED ON MANAGED SITES)
(FY20)



Source: Village

Notwithstanding the growth in SVOD, cinema attendances have remained strong, with 70% of Australians attending the cinema or a drive-in at least once per year in 2018[21]. The movie industry has historically been counter-cyclical during economic downturns, given that it provides a cheaper price point for out of home entertainment than concerts and live sporting events.

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Overview of Operations

Village's Cinema Exhibition division conducts its activities through the Village Cinemas business in conjunction with a number of joint ventures. The business commenced operation in 1954 with a drive-in cinema and has since had a continuous involvement in the development of cinemas in Australia and overseas. Village's Cinema Exhibition division is the company's oldest business. Village was one of the pioneers of the now global standard of the multiplex cinema complex, and has also developed cinema concepts such as Gold Class, Vmax, Vpremium and Vjunior.

In the 1990s, the Cinema Exhibition division undertook an aggressive expansion of its cinema network both in Australia and overseas, including in New Zealand and parts of Asia, South America and Europe. In 1999, however, Cinema Exhibition significantly changed its global growth strategy on the back of poor financial performance. This involved focusing on a smaller number of core territories where Cinema Exhibition had a substantial market share, strong profitability, first mover advantages and significant management influence and control. This resulted in the sale of its businesses in all countries except Australia, Singapore and the United States over the subsequent 10 years. Village exited Singapore in 2017.

Village's Cinema Exhibition division has a number of joint venture and partnership arrangements, with Village Cinemas typically holding around 50%. This has historically provided Cinema Exhibition with the ability to grow the division faster, and, in overseas countries, has provided local knowledge, brand value, contacts, buying power and expertise.

Village Cinemas has an equal share joint venture in Australian multiplexes with Event (also trading as Greater Union or Birch Carroll & Coyle). Originally, the joint venture was between Event, Warner Bros. and Village Cinemas in equal shares, but in 2003, Village Cinemas and Event acquired Warner Bros.' one third share of the Australian multiplex business. Village Cinemas manages the joint venture cinemas in Victoria and Event manages joint venture cinemas in the other States. Additionally, Village Cinemas is a party to a number of smaller joint ventures across Victoria and New South Wales. Village Cinemas in Tasmania is wholly owned.

Village also operated in Singapore as part of an equal share partnership with Golden Screen Limited, a subsidiary of the Hong Kong listed Orange Sky Golden Harvest Entertainment (Holdings) Limited, under the name "Golden Village". In October 2017, Village sold its 50% stake in the Golden Village joint venture for proceeds of $164 million.

Village operated Gold Class cinemas in the United States in a joint venture with Crescent Investments LLC. As part of a restructuring in September 2010, Village transferred its Gold Class USA operations to iPic Entertainment Inc.

To complement the movie-going experience, Village introduced bar and social venue concepts via *Roc's Bar & Kitchen* and *Nineteenforty* in 2016. Two *Roc's Social* bars are scheduled to open in FY21.

In addition, Village owns a chain of video arcades, *Intencity*, with arcade locations in most states of Australia. The chain was originally launched in 1995 as part of the Village Nine Leisure joint venture, a partnership between Village, Nine Network and Westfield Group.

Village currently has an interest in 577 screens at 57 locations in Australia. In the year to 30 June 2020, approximately 18 million customers were entertained at cinemas in which Village has an interest. The numbers of screens, sites and customers by State as at 30 June 2020 are summarised below:

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CINEMA EXHIBITION BUSINESS – AUSTRALIAN OPERATIONS BY REGION

	SITES		SCREENS		ADMISSIONS	
STATE	NUMBER	%	NUMBER	%	MILLIONS	%
VIC	19	33%	211	37%	7.0	40%
NSW	14	25%	139	24%	5.0	28%
QLD	12	21%	119	21%	2.4	14%
TAS	4	7%	19	3%	0.6	3%
SA	3	5%	44	8%	1.0	6%
WA	3	5%	32	6%	1.1	6%
NT	2	4%	13	2%	0.6	4%
Total	**57**	**100%**	**577**	**100%**	**17.7**	**100%**

Source: Village
Note: Includes all screens in which Village has an economic interest, taking no account of ownership structure.

Together with Event, Village holds the number one market share in the Australian exhibition market. In Victoria, where Cinema Exhibition trades under its own label, Village Cinemas, Cinema Exhibition holds a 40% market share.

Village management considers that the Cinema Exhibition division has a number of competitive advantages, including:

- strong market positions in each of its core territories;
- focus on leading location cinemas;
- a strong brand name;
- implementation of industry advancements such as Gold Class, Vmax, Vpremium, Vjunior and 4DX;
- superior cinema design which is distinctive and provided by an in-house architectural team;
- significant barriers to entry for new participants in relation to planning approvals, location and scale;
- a detailed understanding of the industry through a long involvement in the exhibition market and expertise through Village's other divisions such as Film Distribution;
- relatively new facilities as a result of strong growth in new theatres in the 1990s and substantial refurbishment programs; and
- strong customer loyalty program with a large member database.

Cinema Exhibition has maintained market share and growth through:

- expansion of value-added services and technologies such as Gold Class, Vmax, Vpremium and Vjunior;
- marketing to over 1 million members of the Vrewards loyalty program; and
- expansion of alternative content such as sports programming and concert series, which provides Cinema Exhibition with further growth opportunities.

Financial Performance

The performance of Village's Cinema Exhibition business for the five years ended 30 June 2020 is summarised below:

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CINEMA EXHIBITION BUSINESS – FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR ENDED 30 JUNE				
	2016	2017	2018	2019	2020
Number of Paid Admissions – Australia (millions)[22]	**26.5**	**26.1**	**24.9**	**25.2**	**17.7**
Revenue (including inter-segment sales)	**311.2**	**306.2**	**293.6**	**308.1**	**214.8**
EBITDA (pre AASB 16) (as reported)[9]	**82.0**	**76.6**	**58.1**	**53.9**	**8.5**
Lease expense	-	-	-	-	43.3
EBITDA (post AASB 16) (as reported)[9]	**82.0**	**76.6**	**58.1**	**53.9**	**51.8**
Depreciation and other amortisation	(15.7)	(16.8)	(17.4)	(17.4)	(45.8)
EBIT (as reported)[10]	**66.3**	**59.8**	**40.7**	**36.5**	**6.0**
Capital expenditure	30.1	17.4	23.2	9.9	20.5
STATISTICS					
Revenue growth (%)	*+7.8%*	*-1.6%*	*-4.1%*	*+4.9%*	*-30.3%*
EBITDA (pre AASB 16) growth (%)	*+14.6%*	*-6.5%*	*-24.2%*	*-7.2%*	*-84.2%*
EBIT growth (%)	*+16.5%*	*-9.8%*	*-32.0%*	*-10.3%*	*nmf*
EBITDA (pre AASB 16) margin (%)	*26.3%*	*25.0%*	*19.8%*	*17.5%*	*4.0%*
EBITDA (post AASB 16) margin (%)	*26.3%*	*25.0%*	*19.8%*	*17.5%*	*24.1%*
EBIT margin (%)	*21.3%*	*19.5%*	*13.9%*	*11.9%*	*2.8%*
Capex as a % of EBITDA (pre AASB 16)	*36.8%*	*22.6%*	*39.9%*	*18.3%*	*239.8%*
Capex as a % of depreciation and amortisation	*192.1%*	*103.3%*	*133.4%*	*56.8%*	*44.7%*

Source: Village and Grant Samuel analysis

In reviewing the performance of the Cinema Exhibition division, the following should be noted:

- Village adopted the new Accounting Standard on Leases, AASB 16, from 1 July 2019. The reported results incorporating AASB 16 for FY20 reflect the impact of the effective reversal of $43.3 million in fixed lease costs that would otherwise have been expensed, and accounting for $29.6 million in depreciation of right-of-use assets, $13.4 million in interest on lease liabilities and $0.4 million in tax effect differences relating to the AASB 16 adjustments;
- the strong financial performance in FY16 reflected the strong box office performance of key titles including *Star Wars: The Force Awakens*, *Finding Dory* and *Deadpool* and high margins from luxury concepts including Gold Class, Vmax and Vpremium;
- the decline in earnings over FY17-18 reflected the sale of Village's 50% stake in the Golden Village joint venture in Singapore. FY18 revenue was also affected by underperformance of key titles including *Solo: A Star Wars Story*, *Ready Player One, Justice League and Star Wars: The Last Jedi*;
- despite lower income from Australian operations, total revenue recovered in FY19, rising to $308 million and representing a 5% increase on the previous year;
- revenues for the first half of FY20 were in line with the prior corresponding period. However overall FY20 revenue fell 30% to $215 million, primarily due to the impact of COVID-19 in the fourth quarter of the financial year, following the temporary closure of cinemas in Australia from 23 March 2020. Victorian sites remain closed as at the date of this report while cinemas in other States reopened in July 2020 under restricted operating capacity; and
- capital expenditure relates to the refurbishment of existing sites and new site openings. FY16-18 capital expenditure included the introduction of Vjunior, 4DX and bar concepts in Victoria. Capital

[22] Paid Admissions include 100% of admissions to joint venture cinemas in which Village has an economic interest, taking no account of ownership structure.

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expenditure in FY20 primarily relates to the development of two new sites, M-City Clayton in Victoria and Edmondson Park in New South Wales.

Strategy & Outlook

The Cinema Exhibition division is focused on the re-opening of the cinemas in Victoria in line with anticipated easing of restrictions in the fourth quarter of 2020. Capacity restrictions are expected to remain in place for the short to medium term.

Rent abatements and deferrals negotiated with landlords will be reflected in the FY21 results, given that the relevant agreements were generally only concluded after 30 June 2020. On the other hand, cash flow performance for FY21 will be poorer than reported earnings, as deferred rental payments from FY20 become payable.

With the delay of major blockbusters previously scheduled to release from March to June 2020, a strong line-up of titles is anticipated in FY21. Upcoming releases include *Jurassic World: Dominion*, *Eternals*, *Minions: The Rise of Gru*, *Wonder Woman 1984*, *Black Widow*, *Bond: No Time To Die* and *Peter Rabbit 2: The Runaway*. Overall industry box office for FY21 is anticipated to fall somewhere between the levels for FY19 and FY20.

In response to increasing competition from SVOD service providers, Cinema Exhibition is pursuing a strategy to differentiate itself by delivering premium cinema experiences with a range of food and beverage and other complementary entertainment offerings.

4.3 Film Distribution

Overview of the Film Distribution Industry

The film distribution market in Australia encompasses the distribution of theatrical product for cinema exhibition, physical video (i.e. DVD and Blu-ray) retail and rental, subscription television and free-to-air television and distribution to digital retailers.

The majority of distribution arrangements are royalty based and as such distribution income is essentially driven by two factors:

- growth in population and disposable income; and
- film performance and the quality of the products released by the production houses.

The home entertainment market is driven by further factors, including:

- the increasing digitisation of media and resulting popularity of SVOD platforms; and
- demand for non-film product such as back catalogue TV series, children's programming and sports content.

A number of major distributors dominate the local market, especially the market for new Australian and international theatrical releases. The major distributors of theatrical product are also leading participants in the market for distribution of home entertainment products on SVOD services. Walt Disney is the top film distributor by market share in Australia. Village's Film Distribution division is the only Australian company in the top five distributors:

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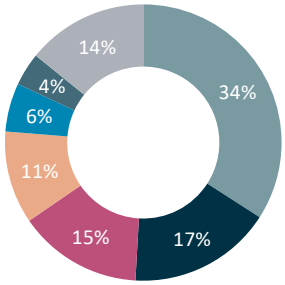
AUSTRALIAN BOX OFFICE MARKET SHARE (2019)



Walt Disney ■ Roadshow/Warner Bros. ■ Universal ■ Sony ■ Paramount ■ Fox ■ Other

Source: Screen Australia

The film distribution model was traditionally structured as a release chain, which framed the order in which films were released. Under this model, feature film distribution starts with a theatrical release where a film is screened exclusively in cinemas. The theatrical window typically lasts 90 days before release on the home entertainment market, such as DVD, Blu-ray, download-to-own and online rental. After 6 months of the home entertainment window it is released on subscription television or pay television, and lastly free-to-air television.

With the rise of SVOD platforms over the past decade, the traditional film distribution model of bringing filmed content to market is changing. SVOD service providers such as Netflix and Disney+ have shortened the theatrical window, releasing films on their platform much earlier than before or even directly to the platform (for example, *Mulan*). Continued growth in subscriber numbers and the development of digital interactive services, pay-per-view and video-on-demand products are expected to be the future drivers of home entertainment distribution. As such, distribution to these platforms represents an increasingly important component of industry revenues.

Declining demand for physical video (i.e. DVD and Blu-ray), lower retail prices and film piracy have caused industry revenue to decline over recent years. Traditional outlets are losing product to streaming services. Although demand for SVOD and digital distribution channels has increased strongly over the past five years, these products are sold at lower price points than traditional video products. Consequently, revenue generated from distribution to SVOD and digital channels is insufficient to compensate for the declining demand for physical video products.

Overview of Operations

Village's Film Distribution division occupies the number two film distribution market position in Australia. The Film Distribution division predominantly comprises the activities of Roadshow Distributors. Roadshow Distributors operates under the trading name "Roadshow". The division distributes motion pictures to cinemas, and motion pictures, documentaries and other filmed entertainment to a variety of users including pay and free-to-air television providers, digital retailers and physical video retailers. A segment breakdown of sales for the 2020 financial year is depicted below:

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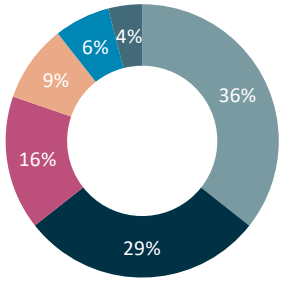
FILM DISTRIBUTION BUSINESS – REVENUE MIX (FY20)



Theatrical | Physical | Digital | Free TV | SVOD | Pay TV

Source: Village
Note: Excludes unallocated income of $2.7 million.

Films are typically acquired under minimum guarantee contracts, where Roadshow guarantees the production company a fixed payment regardless of the success of the film, such that Roadshow has leveraged exposure to the success of titles.

Roadshow has supply arrangements with production companies including Warner Bros., Village Roadshow Pictures, STX and FilmNation. Long term cinema distribution contracts are in place with Village Cinemas, Hoyts Cinemas, Greater Union, BCC, Readings and Palace. Television content agreements are in place with Network Ten, Nine Network, Foxtel, Netflix, Amazon, Stan and SkyTV.

Roadshow's motion picture license agreement with Warner Bros. is a royalty agreement that gives Roadshow exclusive rights to Warner Bros. pictures in Australia across Theatrical and Home Entertainment windows. The current agreement expires on 31 December 2020. On 21 September 2020 Village announced that it had been informed by Warner Bros. that the agreement for Theatrical distribution would not be renewed on expiry.

The Film Distribution division consists of four main sub-divisions. These are:

- **Roadshow Films**, which distributes theatrical movies to cinema, pay television and free to air television in Australia and New Zealand. Roadshow Films holds exclusive distribution rights for movies produced by Village Roadshow Pictures and also distributes theatrical releases for companies such as Warner Bros., STX and FilmNation as well as independent production houses.
- **Roadshow Entertainment**, which distributes physical video products to retail and digital content to online channels. Roadshow Entertainment has a strong presence in the digital space distributing theatrical, television and children's content for electronic sell-through and transactional video-on-demand via iTunes, Foxtel, Telstra Bigpond and other online platforms.
- **Roadshow Television**, which produces filmed content. Roadshow Rough Diamond is an Australian production company formed in 2016 to focus on scripted programming for television. Roadshow Rough Diamond has eight projects currently in development. In 2017, Roadshow acquired 50% of BlinkTV which produces unscripted content (notably the *Eurovision* series and ancillary programs in Australasia). Village also owns 20% of Village Roadshow Entertainment Group (BVI) Limited ("VREG") which engages in film production activities.
- **FilmNation**: The division has a 31% interest in FilmNation Entertainment LLC ("FilmNation") which Village acquired for US$18 million in December 2014. FilmNation is a US based film production and international sales business and one of the highest grossing independent film distributors in the US

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with box office hits including *Arrival*, *The King's Speech* and *The Imitation Game*. FilmNation is also expanding into television, podcasting and theatrical production.

The key strengths of the Film Distribution division include:

- exclusive rights under long term contracts with a number of leading production companies;
- long term contracts with 'blue-chip' customers such as television stations and SVOD service providers;
- exposure across the product lifecycle from theatrical to home entertainment and television, enabling the division to monetise the rights it owns through all available channels; and
- significant market share in both theatrical and home entertainment, bolstered by a falling number of independent distributors in the market.

Village's Film Distribution division relies significantly on the Cinema Exhibition division, the strength of the relationship with Warner Bros. and the success of new products.

Financial Performance

The performance of Village's Film Distribution business for the five years ended 30 June 2020 is summarised below:

FILM DISTRIBUTION BUSINESS – FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR ENDED 30 JUNE				
	2016	2017	2018	2019	2020
Revenue (including inter-segment sales)	**376.4**	**358.7**	**303.9**	**288.2**	**194.4**
EBITDA (pre AASB 16) (as reported)[9]	**24.5**	**21.2**	**13.8**	**8.6**	**3.8**
Lease expense	-	-	-	-	1.3
EBITDA (post AASB 16) (as reported)[9]	**24.5**	**21.2**	**13.8**	**8.6**	**5.0**
Depreciation and other amortisation	(3.5)	(3.6)	(3.2)	(3.6)	(4.5)
EBIT (as reported)[10]	**21.0**	**17.7**	**10.6**	**5.1**	**0.6**
Capital expenditure	1.0	1.7	1.1	2.1	0.9
STATISTICS					
Revenue growth (%)	*+3.6%*	*-4.7%*	*-15.3%*	*-5.2%*	*-32.5%*
EBITDA (pre AASB 16) growth (%)	*-29.3%*	*-13.4%*	*-34.8%*	*-37.7%*	*-56.2%*
EBIT growth (%)	*-33.6%*	*-15.8%*	*-39.8%*	*-52.4%*	*nmf*
EBITDA (pre AASB 16) margin (%)	*6.5%*	*5.9%*	*4.5%*	*3.0%*	*1.9%*
EBITDA (post AASB 16) margin (%)	*6.5%*	*5.9%*	*4.5%*	*3.0%*	*2.6%*
EBIT margin (%)	*5.6%*	*4.9%*	*3.5%*	*1.8%*	*0.3%*
Capex as a % of EBITDA (pre AASB 16)	*4.1%*	*8.1%*	*7.7%*	*24.0%*	*23.3%*
Capex as a % of depreciation and amortisation	*28.2%*	*48.2%*	*33.2%*	*58.0%*	*19.6%*

Source: Village and Grant Samuel analysis

In reviewing the performance of the Film Distribution division, the following should be noted:

- Village adopted the new Accounting Standard on Leases, AASB 16, from 1 July 2019. Reported results incorporating AASB 16 for FY20 reflect the impact of the effective reversal of $1.3 million in fixed lease costs, and accounting for $0.9 million in depreciation of right-of-use assets, $0.1 million in interest on lease liabilities and $0.5 million in tax effect differences relating to the AASB 16 adjustments;
- the fall in revenues over the past four years has been driven primarily by underperformance of distributed titles and the ongoing deterioration and structural decline of the physical video market. Despite positive revenue growth in FY16, EBITDA fell 29% to $24 million due to low margin titles;

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- Roadshow formed Roadshow Rough Diamond in late FY16 and acquired 50% of BlinkTV in FY17 to produce television content targeted at online streaming providers;
- revenue and margins continued to decline over FY17-19 despite a rationalisation program targeting $2 million per annum of cost savings introduced in FY17; and
- strong performance from key titles including *Joker*, *Hustlers* and *Angel Has Fallen* in FY20 was offset by underperformance of titles including *Ugly Dolls*, *Late Night* and *21 Bridges*. FY20 profitability was further affected by the COVID-19 related closures and reduced capacity at Australian theatres, as well as the delay of theatrical release dates scheduled for the final quarter of FY20 including *Wonder Woman 1984*. As a result, revenue for FY20 was $194 million, representing a 33% decrease on the previous year.

Strategy & Outlook

FY21 theatrical releases are expected to feature a strong Warner slate including the highly anticipated release of *Wonder Woman 1984* and *Dune*, as well as a number of proposed Australian film releases including *The Dry*, *Penguin Bloom* and *Rams*.

The home entertainment sector is expected to remain strong, particularly in the digital landscape, as COVID-19 'stay-at-home' measures continue. Roadshow has content or volume slates agreed with Foxtel, Netflix, Network 10, Channel 9, Stan, Amazon and SkyNZ for FY21.

With the SVOD market likely to continue to outpace the physical home entertainment market, Roadshow is focused on growing revenue from digital channels and diversifying its earnings streams by identifying opportunities for titles to be released on SVOD and premium video on demand ("PVOD") platforms.

Roadshow is undertaking a detailed business review to right-size its overheads and business operations. Roadshow is also implementing a new film acquisition strategy targeted at improving profitability by realigning acquisition costs with revenue. The focus for Roadshow Television and FilmNation remains the production of low cost content which provides Roadshow with revenue diversification.

4.4 Marketing Solutions

Overview of the Incentive Marketing Industry

Annual global marketing spend is estimated to be in excess of US$1.6 trillion[23], with companies in North America and the United Kingdom spending approximately 10% of revenue on marketing[24].

Incentive based marketing is a subsector of the general advertising and marketing industry. A variety of rewards currencies can be used to incentivise consumer behaviour, including loyalty points, cashback, discounts, bonus products and VIP experiences. Research by the Marketing Accountability Standards Board estimates that approximately 12% of marketing spend consists of promotional and incentive programs:

[23] Source: GroupM, Sizing Global Marketing: Expanding Opportunities, November 2019.

[24] Source: Gartner, Annual CMO Spend Survey 2019-2020.

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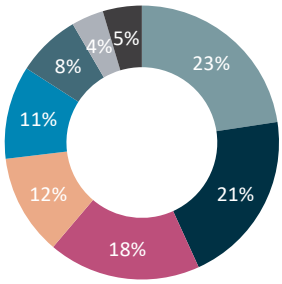
MARKETING MIX (2019)



Source: Marketing Accountability Standards Board

Incentive marketing is commonly used in the consumer electronics sector to drive sales volumes. Consumer electronics manufacturing is the fifth fastest growing industry globally at expected revenue growth of 6.2% in 2020 according to data from IBISWorld. Opia estimates that the discount and rebate market for smartphones alone is worth over US$50 billion per annum globally.

With marketing expenditure linked strongly to sales revenue, the long term outlook for the industry remains positive given general rising trends in consumer spending. However, marketing spend is typically classified as discretionary expenditure in company budgets and thus subject to cutbacks as businesses look to reduce costs in the COVID-19 environment.

Overview of Operations

Village's Marketing Solutions division consists of Opia, a UK based sales promotion consultancy business. Opia delivers consumer incentive programs across Australasia, Europe and North America and has 119 employees in four countries. Opia's marketing solutions include cashback, gift with purchase, buy and try, instant win, trade-in and product guarantee programs. In addition to marketing spend, Opia also targets traditional ways of tactically driving sales, such as introductory discounts, fire sales and competitor price matching.

Opia's target clients are FTSE 100, blue-chip companies and small and medium enterprises in the technology sector. Key clients include computer manufacturers (such as Microsoft and Hewlett-Packard) and smartphone manufacturers (such as LG and Samsung). Opia is also the exclusive provider of Odeon Cinema tickets to the corporate incentive market in the United Kingdom.

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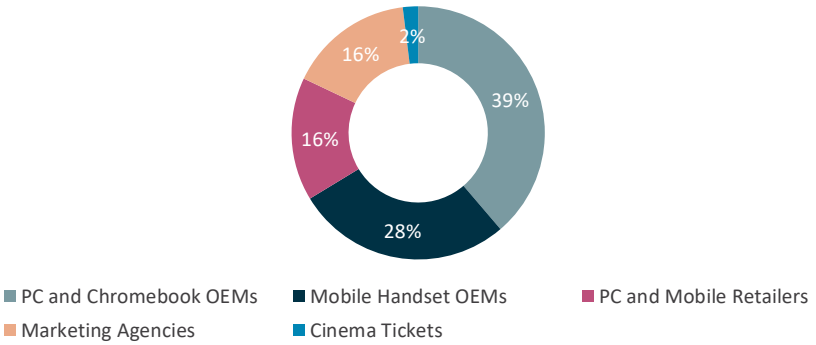
MARKETING SOLUTIONS BUSINESS – REVENUE MIX (FY20)



Source: Village
Note: OEM is original equipment manufacturer.

As part of a global expansion strategy, Village acquired an 80% interest in Opia in December 2015 for £24 million (approximately $50 million), with the Chief Executive Officer and Sales Director of Opia each retaining a 10% holding. As part of the acquisition, Village entered into separate put and call option agreements with each of these executives over their shareholdings. The options are exercisable in July 2021.

In FY20, Opia implemented a restructure program following a comprehensive review of its operations. It has invested in new functions and sales resources to support future growth in North America, broader Europe and South Africa.

Prior to October 2019, the Marketing Solutions division also owned Edge Loyalty Systems ("Edge"). Edge specialises in managing gift cards and loyalty reward programs in Australia. Edge was divested on 31 October 2019 at an enterprise value of $32.3 million with the sale proceeds used to repay debt.

The key strengths of the Marketing Solutions division include:

- broad accessible market driven by growth in demand for consumer electronic goods;
- unique business proposition with a limited number of direct competitors offering 'like for like' solutions in the incentive marketing space;
- ability to scale promotion delivery internationally and achieve economies of scale; and
- long term contracts with key customers.

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Financial Performance

The performance of Village's Marketing Solutions business for the five years ended 30 June 2020 is summarised below:

MARKETING SOLUTIONS BUSINESS – FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR ENDED 30 JUNE				
	2016	2017	2018	2019	2020
Revenue (including inter-segment sales)	**41.2**	**54.7**	**72.7**	**70.6**	**70.5**
EBITDA (pre AASB 16) (as reported)[9]	**8.0**	**9.8**	**8.3**	**5.3**	**3.1**
Lease expense	-	-	-	-	0.3
EBITDA (post AASB 16) (as reported)[9]	**8.0**	**9.8**	**8.3**	**5.3**	**3.3**
Depreciation and other amortisation	(1.0)	(1.4)	(1.8)	(1.7)	(1.2)
EBIT (as reported)[10]	**7.0**	**8.5**	**6.5**	**3.5**	**2.2**
Capital expenditure	0.8	1.6	2.3	2.2	1.8
STATISTICS					
Revenue growth (%)	*+143.4%*	*+32.7%*	*+33.0%*	*-2.8%*	*-0.1%*
EBITDA (pre AASB 16) growth (%)	*+172.1%*	*+23.1%*	*-15.9%*	*-36.4%*	*-41.8%*
EBIT growth (%)	*+190.2%*	*+20.6%*	*-23.3%*	*-45.6%*	*nmf*
EBITDA (pre AASB 16) margin (%)	*19.4%*	*18.0%*	*11.4%*	*7.5%*	*4.3%*
EBITDA (post AASB 16) margin (%)	*19.4%*	*18.0%*	*11.4%*	*7.5%*	*4.7%*
EBIT margin (%)	*17.0%*	*15.5%*	*8.9%*	*5.0%*	*3.1%*
Capex as a % of EBITDA (pre AASB 16)	*10.5%*	*15.9%*	*27.4%*	*42.1%*	*57.6%*
Capex as a % of depreciation and amortisation	*85.2%*	*112.8%*	*126.7%*	*127.6%*	*152.0%*

Source: Village and Grant Samuel analysis

In reviewing the performance of the Marketing Solutions division, the following should be noted:

- Village adopted the new Accounting Standard on Leases, AASB 16, from 1 July 2019. The reported results incorporating AASB 16 for FY20 reflect the effective reversal of $0.3 million in fixed lease costs that would otherwise have been expensed, substantially offset by depreciation of right-of-use assets and interest on lease liabilities;
- Figures presented are before non-controlling interests relating to Opia;
- FY16 performance includes approximately six months of contribution from Opia following its acquisition in December 2015. Edge also delivered organic growth with strong performance of the Lifestyle Rewards and Good Food Gift Card products. This was reflected in a 143% increase revenue for the year ended 30 June 2016;
- Marketing Solutions continued to deliver a strong result in FY17, with a 33% rise in revenue to $55 million. Outperformance by Edge in Australia offset poor performance from Opia as Brexit resulted in softening promotional spend in the United Kingdom;
- revenue growth in FY18 reflected the execution of 11 Master Services Agreements with leading national and global brands. However, EBITDA for the division contracted by 16% as a result of increased investment in its technical platform capabilities;
- FY19 performance was affected by lower promotional activity over the year, mostly occurring in the first half;
- the sale of Edge completed in FY20, with Edge contributing $3.0 million and $1.5 million to EBITDA in FY19 and FY20 (representing four months of operations) respectively; and

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- prior to COVID-19, Opia performed strongly in the first half of FY20 with EBITDA of $2.5 million representing a $3 million improvement on the prior corresponding period, driven by revenue contribution from new territories, the United States and South Africa. However, COVID-19 had an adverse impact on promotional activity, particularly in the fourth quarter of FY20. Overall, Opia delivered full year FY20 EBITDA of $1.5 million.

Strategy & Outlook

Opia expects to realise margin improvements in FY21 as benefits arise from the business review, such as from lower claim handling and delivery costs, and investments in personnel to strengthen the business.

Over the longer term, Opia is pursuing an expansion strategy across North America and mainland Europe. Opia aims to deliver growth by boosting sales volumes in existing and new markets, harnessing technology for speed to market and cost efficient solutions and increasing penetration across product categories.

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5 Valuation of Village

5.1 Summary

Grant Samuel has valued Village in the range $397-547 million, which corresponds to a value of $2.03-2.80 per share. The valuation is summarised below:

VILLAGE – VALUATION SUMMARY ($ MILLIONS)

	FULL REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Business operations			
Theme Parks	5.4	475	525
Cinema Exhibition	5.5	425	475
Other Businesses	5.6	70	100
Capitalised corporate costs (net of savings)	5.9	(280)	(260)
Enterprise value		**690**	**840**
Net borrowings as at 30 June 2020	5.8	(293)	(293)
Value of equity		**397**	**547**
Fully diluted shares on issue (millions)	3.6	195.3	
Value per share		**2.03**	**2.80**

The valuation represents the estimated full underlying value of Village and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Village shares to trade on the ASX in the absence of a takeover offer.

The value attributed to Village's operating businesses of $690-840 million is an overall judgement having regard to a range of valuation evidence. In particular, the valuation is based on evidence drawn from capitalisation of earnings analysis, supported by indicative discounted cash flow ("DCF") scenario analysis and evidence from the circumstances that led to the Proposal, which suggest that Village has effectively been 'on the market' for some time.

Valuation of Village is inherently uncertain. Fundamentally, this uncertainty reflects the difficulty in assessing the likely impact of COVID-19 on Village's operational and financial performance, both in the short to medium term and over the longer term. The range of factors that may impact the business include further COVID-19 lockdowns, State border closures, extensions to restrictions on international tourism, social distancing restrictions and the status of a COVID-19 vaccine. Village remains exposed to the risk of a resurgence of COVID-19 across Australia, with both its theme parks and cinema business particularly vulnerable to restrictions on public gatherings and (for theme parks) interstate and international tourism. In addition, the possible longer term impact of COVID-19 on consumer behaviour, particularly in relation to consumer leisure and entertainment preferences, is unclear.

The earnings multiples implied by the valuation of Village are summarised below:

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VILLAGE – IMPLIED VALUATION PARAMETERS

	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
		LOW	HIGH
Value range ($ million)		**690**	**840**
Multiple of EBITDA (pre AASB 16) (adjusted)[25] (times)			
Year ended 30 June 2019	121.6	5.7	6.9
Year ended 30 June 2020	(15.7)	*nmf*	*nmf*
Multiple of EBIT (pre AASB 16) (adjusted)[25] (times)			
Year ended 30 June 2019	51.2	13.5	16.4
Year ended 30 June 2020	(82.0)	*nmf*	*nmf*

The directors of Village have decided not to include in the Scheme Booklet information regarding budgeted earnings for FY21 or earnings forecasts for subsequent years. This information has therefore not been disclosed in this report.

Given the current circumstances, valuation based on capitalisation of earnings analysis is subject to significant limitations. Actual earnings for FY20 and any forecasts or budgets for FY21 are not representative of ongoing or "steady state" earnings, given the impact of the COVID-19 pandemic on the trading of Village and comparable businesses. In any event, Village has not released budgets or forecasts of its earnings for FY21 or beyond, and broker's forecasts for future earnings, either for Village or for comparable companies, are not necessarily reliable or representative, given the uncertainties arising from the COVID-19 pandemic. As a result, the best available reference point is multiples of earnings for FY19, although FY19 earnings are now at least to some extent out of date. In theory, capitalisation of earnings for (say) FY22 or FY23, which would be more representative of ongoing earnings potential, discounted for time value of money and equity and other risks, would provide useful evidence as to value. However, uncertainties associated with forecasts of earnings that far into the future (even if such forecasts were available), in conjunction with difficulties in determining the appropriate level of risk discounting, mean that such an approach provides at best only very general evidence as to value, and needs to be treated with considerable caution.

Village's Theme Parks and Cinema Exhibition businesses are both capital intensive and EBITDA is accordingly a poor proxy for cash flow from operations. Grant Samuel has had particular regard to EBIT multiples in benchmarking its valuation conclusions against valuation evidence derived from share market prices for comparable companies and transaction values.

Having regard to the limitations of the capitalisation of earnings analysis, Grant Samuel has also had reference to the results of an indicative DCF analysis. DCF scenario analysis is helpful in understanding the range of potential future outcomes for Village and the associated range of values for the business. In particular, given that a reasonable "most likely case scenario" is probably also close to a "best case scenario", the scenario analysis helps to test the value impacts of downside outcomes in which Australia's exit (and potentially the global exit) from the COVID-19 pandemic are delayed beyond current expectations. On the other hand, any indicative DCF scenario analysis provides little guidance regarding the relative probabilities of the various scenarios that could reasonably be posited for Village.

In this context, in Grant Samuel's view, the background to and circumstances of the Transaction provide useful evidence as to the value of the Village business. Grant Samuel's valuation of Village in the range $2.03-2.80 per share is consistent with the fact that the Transaction is, effectively, the highest price to have emerged from a public process whereby Village has essentially been "in play" since December 2019.

The valuation reflects the positive aspects of Village's businesses. In particular, it takes into account:

[25] Includes share of net profits from FilmNation.

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- the market leading positions of Village's two key businesses, Theme Parks and Cinema Exhibition;
- the strong brands and significant barriers to entry enjoyed by these businesses; and
- Village's history of innovation in Theme Parks and Cinema Exhibition.

On the other hand, it recognises the structural and other challenges faced by Village's businesses:

- Village's key Theme Parks and Cinema Exhibition businesses are both capital intensive, requiring ongoing investment to ensure that they remain relevant and continue to attract discretionary leisure and entertainment spending;
- the Theme Parks business faces the risk of a long term reduction in international visitor numbers, particularly from China, and the potential for increased competition from the Ardent theme park business as Dreamworld aims to recapture market share;
- the Cinema Exhibition business recorded flat to declining admissions, revenues and earnings over the four year period preceding the onset of the COVID-19 pandemic, and some observers believe that there has been a structural shift to streaming video on demand services through the period of the pandemic; and
- earnings from the Film Distribution business fell by almost two thirds over the four years to 30 June 2019, reflecting the ongoing structural shift in the way in which video product is consumed (with cinema exhibition at best flat and physical and free-to-air TV in decline).

In addition, the valuation takes into account the uncertain impacts of COVID-19 on the future operating and financial performance of Village's businesses.

The valuation range for Village of $2.03-2.80 is relatively wide, reflecting both the fundamental uncertainty as to the prospects for Village's businesses and the gearing effect of Village's significant net debt. The top end of the valuation range notionally represents a best case outcome, whereas the bottom end attributes greater weight to the various risks facing Village.

Moreover, given the nature of the risks facing Village (and in particular the potential impact of adverse COVID-19 related developments), the value of Village could shift by meaningful amounts in short order. In particular, the extension of COVID related restrictions significantly beyond current expectations, the reintroduction of lockdowns in New South Wales or the closure of the theme parks in Queensland, could be expected to result in a meaningful reduction in the value of Village.

The indicative offers made by PEP and BGH in December 2019 and January 2020 implied an equity value for Village of approximately $760-780 million. The cash consideration under Structure A implies an equity value for Village of around $450 million[26], a reduction of approximately $310-330 million.

The reduction in the value of Village reflects the following:

- Village had expected that earnings for the year to 30 June 2020 would approximately match earnings for the year to 30 June 2019. Actual reported EBITDA (pre AASB 16 adjustments) for the year to 30 June 2020 was a loss of $13 million, by comparison with EBITDA for the year to 30 June 2019 of $120 million. The reduction in EBITDA of approximately $133 million was largely attributable to the downturn in Village's earnings following the outbreak of COVID-19;
- Village's post-COVID forecasts of EBITDA for the year to 30 June 2021 are approximately $120 million lower than forecasts for the same period compiled prior to the onset of COVID-19;
- Village's post-COVID forecasts of EBITDA for the years to 30 June 2022 and 30 June 2023 are in aggregate approximately $150 million lower than forecasts for the same period compiled prior to the onset of the COVID-19 pandemic;

[26] Based on the bottom end of the range of values attributed to the cash consideration under Structure A of $2.32.

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- earnings post FY23 are projected to grow off a lower base than previously projected. Earnings are not expected to "catch up"; and
- revised earnings expectations arguably still reflect a best case outcome from a COVID-19 pandemic perspective. It is almost certainly the case that the balance of risks for Village's future earnings are to the downside. These risks, while difficult or impossible to quantity, need to be captured in assessments of the current value of Village.

5.2 Methodology

5.2.1 Overview

Grant Samuel's valuation of Village has been prepared by estimating the market value of Village's operating business, adjusting for the capitalised value of corporate overheads and subtracting net debt at 30 June 2020. The value of Village's operating business has been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

Nevertheless, valuations are generally based on either or both DCF or multiples of earnings and Grant Samuel has had regard to both methodologies in the valuation of Village. The value ranges selected for Village are judgements derived through an iterative process. The objective is to determine a value that is both consistent with the market evidence as to multiples and fits with the output of DCF scenario analysis.

5.2.2 Capitalisation of Earnings or Cash Flows

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBIT or NPAT. These are referred to respectively as EBITDA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer but are also used extensively in sharemarket analysis.

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Where an ongoing business with relatively stable and predictable cash flows is being valued, Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point.

Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between parameters is usually not critical and should give a similar result. All are commonly used in the valuation of businesses with stable or predictable cash flows.

While EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:

- where a significant proportion of assets are leased rather than owned and leases are long term in nature, EBITDA (and EBIT) multiples can be impacted by the accounting treatment for leases (where all leases are capitalised with the present value of future lease payments included as financial borrowings and the annual lease expense recognised as an amortisation charge and an interest expense). This accounting treatment has no impact on cash flow but results in EBITDA (and EBIT) being higher and EBITDA (and EBIT) multiples being lower than they would be otherwise;
- EBIT (or EBIT) multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable indicator of ongoing capital expenditure. In addition, there can be differences between companies in the basis of calculation of depreciation; and
- businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

In determining a value for Village's business operations, Grant Samuel has had regard to the recurrent high levels of capital expenditure in the Theme Parks and Cinema Exhibition businesses. These levels of capital expenditure mean that EBIT represents a much better proxy for operating cash flows for Village than does EBITDA. Accordingly, Grant Samuel has placed particular reliance on the EBIT multiples implied by the valuation range compared to the EBIT multiples derived from an analysis of comparable listed companies and transactions involving comparable businesses. These multiples have been adjusted (where necessary) to reverse the impact of new lease accounting standards, AASB 16 (as well as the IASB equivalent IFRS 16 and US GAAP equivalent ASC 842), given that this accounting treatment has no impact on cash flow.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The primary approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors, including:

- economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;

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- strategic attractions of the business – its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
- rationalisation or synergy benefits available to the acquirer;
- the structural and regulatory framework;
- investment and sharemarket conditions at the time; and
- the number of competing buyers for a business.

A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor. To convert sharemarket data to meaningful information on the valuation of companies as a whole, it is market practice to add a "premium for control" to allow for the premium which is normally paid to obtain control through a takeover offer. This premium is typically in the range 20-35%.

The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations, premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering.

Acquisitions of listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures and the regulatory framework (including accounting practices). It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels.

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

5.2.3 Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, including resources, and for the valuation of start-up projects where earnings during the first few years can be negative but it is also widely used in the valuation of established industrial businesses. Discounted cash flow valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture depleting resources, development projects and fixed term contracts (which are typical in the resources sector), the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

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Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available, the terminal or continuing value is usually a high proportion of value. Accordingly, the parameters used in assessing this terminal value become critical determinants in the valuation. The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, discounted cash flow valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

Village management have prepared a model that projects earnings and cash flows over a six year period. The directors of Village have decided not to disclose the model or its earnings and cash flow forecasts in the Scheme Booklet and accordingly Grant Samuel has not disclosed these forecasts in this report. In any event, in Grant Samuel's view, notwithstanding that the model has been developed on a detailed "bottom up" basis, the fundamental uncertainty regarding Village's future financial performance is such that it would not be appropriate to place significant reliance on the model and its forecasts.

Instead, Grant Samuel has undertaken high level DCF scenario analysis to test the impact on calculated NPV of various assumptions about the future trajectory of Village's free cash flows. While this analysis is not determinative of value, it provides some insight into the range of values that might be inferred for alternative scenarios for Australia's "exit path" from COVID-19 related restrictions, and the possible loss of value that might result from outcomes that are less positive than those effectively assumed in Village's "most likely case" expectations. Together with subjective judgements regarding the risks and opportunities facing Village, this analysis helps to support an overall assessment of the Transaction.

5.2.4 Transaction Process

The most reliable evidence as to the value of a business is the price at which the business has been bought and sold in an arm's length transaction, in which full information has been made available to prospective acquirers and there has been sufficient time for a proper process, both to ensure that all likely acquirers have been aware of the acquisition opportunity and for interested parties to undertake due diligence.

The Transaction was not the result of a conventional business sale process. However, the fact that Village was essentially 'on the market' since an indicative proposal was received by PEP in December 2019 suggests that many of the elements of a competitive sales process were present in the overall circumstances of the Transaction.

5.2.5 Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value the business of Village. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

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5.2.6 Net Assets/Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Village' case.

5.3 Approach for Village

Grant Samuel's valuation of Village has been estimated by aggregating the estimated market value of its business operations (on a "control" basis), adjusting for the capitalised value of corporate costs and deducting external borrowings and non-trading liabilities. The value of the business operations has been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

In valuing Village's operating business, Grant Samuel has considered valuation evidence drawn from capitalisation of earnings analysis, DCF scenario analysis and the circumstances leading to and the process following the announcement of the Transaction.

The value range selected for Village is a judgement. The objective is to determine a value that is consistent with the market evidence as to multiples, fits with the output of DCF scenario analysis and is informed by the circumstances leading up to and following the announcement of the Transaction.

Specific aspects of the methodology adopted by Grant Samuel include the following:

- Village's business operations (Theme Parks, Cinema Exhibition and Other Businesses) have been valued separately and then aggregated;
- EBIT rather than EBITDA has been used as the primary earnings measure in the earnings multiple analysis. On the basis that depreciation is a reasonable proxy for capital expenditure, EBIT effectively adjusts for relative capital intensity, provides a better approximation of free cash flow and allows for more useful comparisons with the comparable companies;
- EBIT has been assessed on a pre AASB 16 basis with adjustments made to reverse the impact of the accounting treatment of leases;
- Grant Samuel has given consideration to the synergies potentially achievable by acquirers of the business. In this regard, it needs to be recognised that:
  - normal valuation practice is to include (either implicitly or explicitly) a value for synergies that are available to multiple acquirers but to exclude synergy value that is unique to a particular acquirer;
  - it appears in the near term at least that the only potential acquirers of Village are private equity firms, for which synergies are likely to be modest, and to be limited to the potential to save listed company and other head office costs; and
  - where earnings multiples from comparable transactions represent primary valuation evidence, adding synergies to earnings or making a further multiple adjustment for synergies would potentially result in "double counting" of value as the multiples from the comparable transactions are usually based on "standalone" earnings (either reported or forecast) and the value of synergies is therefore reflected in the multiple (i.e. the transaction multiple would be lower if based on earnings including synergy benefits);
- while it is possible to build a detailed bottom up cash flow model for Village based on for example, visitor numbers at theme parks, attendance levels at cinemas, and a detailed projection of the business' cost structure, the reality is that a wide range of future outcomes for these parameters is possible. Given the impact of COVID-19, the outlook for Village and its future trading performance is

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fundamentally uncertain. Accordingly, Grant Samuel has undertaken a high level DCF scenario analysis that examines a range of cash flow outcomes. The objective is to identify the range of values that could be estimated for a range of plausible future outcomes, and in particular to consider the impact on calculated NPVs of outcomes less positive than those reflected in Village's most likely case expectations; and

- in the context of the absence of reliable forecast earnings information for Village for FY21 and beyond, valuable evidence as to the value of Village can to be inferred from the circumstances of the Transaction. While no formal competitive process has been conducted to solicit counter-offers for Village, the fact that Village has effectively been "on the market" for some time, and that no higher offer has been made for Village, suggests that the Transaction represents the highest price available for Village in the current market. On one view this definitionally means that the Transaction consideration represents fair value.

5.4 Value of Theme Parks

5.4.1 Overview

Grant Samuel has valued the Theme Parks business in the range $475-525 million.

The earnings multiples implied by the valuation of Theme Parks business are summarised below:

THEME PARKS BUSINESS – IMPLIED VALUATION PARAMETERS

	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
		LOW	HIGH
Value range ($ million)		**475**	**525**
Multiple of EBITDA (pre AASB 16) (adjusted) (times)			
Year ended 30 June 2019	73.7	6.4	7.1
Year ended 30 June 2020	6.4	74.2	82.0
Multiple of EBIT (pre AASB 16) (adjusted) (times)			
Year ended 30 June 2019	27.9	17.0	18.8
Year ended 30 June 2020	(36.1)	*nmf*	*nmf*

The valuation of the Theme Parks business reflects:

- the clear market leadership that Village's Theme Parks business enjoys in the Queensland theme parks market;
- the barriers to entry for any potential new market entrants;
- the benefits of Theme Park's ownership of a portfolio of parks and other assets on the Gold Coast and the cross-promotion and other advantages conferred by that portfolio;
- the competitive disadvantages faced by the number two player in the market, Ardent;
- Village's licensing arrangements and strong brands; and
- the expansion opportunities provided by Village's extensive landholdings on the Gold Coast, and particularly the potential for a development of a Movie World hotel and a proposed Gold Coast Spit re-development.

On the other hand:

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- the Theme Parks business is capital intensive, requiring high levels of capital expenditure on a continual basis to ensure that the business continues to remain appealing and relevant for consumers in the context of strong competition for leisure and entertainment expenditure;
- there is uncertainty relating to the ongoing impact of the COVID-19 pandemic, given the exposure of the business to both domestic and international tourism;
- there is a real risk of a long term reduction in international visitor numbers, reflecting not just long term COVID-19 impacts (such as increased travel costs and restrictions permanently affecting international travel) but also the risk that Chinese tourism will be affected by the continuation of current geo-political tensions; and
- there is potential for increased competition over time from the Ardent theme park business as Dreamworld aims to recapture market share.

5.4.2 Market Evidence and Analysis

Valuation of Village's Theme Parks business is challenging, for a number of reasons:

- the earnings history for the Theme Parks business does not necessarily provide reliable information regarding an appropriate level of earnings to select for valuation purposes, or the level of earnings that might be generated in a post-COVID world:
  - earnings for the Theme Parks were materially affected in the period following the Dreamworld disaster (FY17 and FY18);
  - implementation of a new "premiumisation" strategy helped the Theme Parks business to deliver significantly better results in FY19 (reported EBITDA of $76.5 million and EBIT of $30.7 million). However, these results were still well short of earnings for FY16 (reported EBITDA of $88.0 million and EBIT of $38.2 million); and
  - moreover, it is reasonable to assume that the performance of the Theme Parks business was in some sense underpinned by the competitive disadvantages facing Ardent, owner of Dreamworld. It is not clear whether the FY19 result would have been achievable had Ardent been in a position to offer full competition.
- the earnings of the Theme Parks business have been severely affected by the onset of the COVID-19 pandemic:
  - in the short term the theme parks were closed, although they re-opened over June and July 2020 under an industry approved COVID Safe plan at reduced park capacity;
  - border closures between Queensland, New South Wales and Victoria have continued, reducing interstate tourist numbers to close to zero (from around 30% for FY19); and
  - all international tourism, representing slightly more than 20% of patronage in FY19, has ceased.
- the long term patronage trends for both Queensland and interstate visitors to the Theme Parks have been downwards;
- accordingly, international tourism, and particularly Asian tourism, have been increasingly important for the Theme Parks business;
- Village is forecasting that the Theme Parks business will only return to pre-COVID levels of profitability (on a full year basis) for FY23, reflecting expectations that international tourism will take much longer to rebound than domestic tourism;
- the long term impacts of COVID-19 on international travel are unclear. It is at least plausible that there will be a permanent reduction in international travel generally, if social distancing requirements

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and international border health checks or processes increase the cost and reduce the convenience and appeal of international travel; and

- Village's Theme Parks business is particularly exposed to the risk that Chinese tourist numbers could fall away dramatically, reflecting the geo-political tensions that are currently evident, consistent with Chinese restrictions on engagement with other sectors of the Australian economy (such as wine and agriculture).

While some of these factors are common to theme parks businesses around the world, a number are unique to Village's Theme Parks business. Accordingly, evidence from comparable listed companies and comparable transactions can do no more than provide general guidance as to value.

The following charts show the earnings multiples implied by sharemarket prices for a number of broadly comparable companies, as well as the earnings multiples implied by recent transactions in the sector. Grant Samuel has considered a number of earlier transactions but concluded that they provide little or no useful evidence as to value, given the movements in recent years in equity markets, interest rates and required rates of return, and business prospects generally.

Transaction Evidence

Two transactions completed during 2019 provide some evidence as to the valuation parameters that applied prior to the onset of the COVID-19 pandemic:

- in November 2019, a consortium comprising Blackstone, Canada Pension Plan Investment Board and the Kirk Kristiansen family (an existing shareholder holding approximately 29.58%) ("KIRKBI") acquired 70.42% of the issued capital of Merlin Entertainments plc ("Merlin") (being the remaining shares other than those owned or controlled by KIRKBI). Merlin is the second largest operator of visitor attractions with more than 130 attractions worldwide including Sea Life, Madam Tussauds and Legoland. At an enterprise value of approximately £6 billion, the transaction implied an historical EBITDA multiple of 10.2 times and an historical EBIT multiple of 16.1 times; and
- Parques Reunidos Servicios Centrales, S.A., a Spanish theme park operator, acquired Tropical Islands in January 2019 for €226 million. Tropical Islands is the world's largest indoor water park and rainforest covering an area of 611 hectares with nearly 2,000 beds of accommodation facilities. The acquisition also included 423 hectares of surrounding unused land valued at €28 million, providing future expansion opportunities. The historical EBITDA multiple implied by the transaction excluding the value of unused land was 9.6 times.

Sharemarket Evidence

The following charts set out the implied EBITDA and EBIT multiples for a number of listed comparable companies based on share prices as at 15 September 2020:

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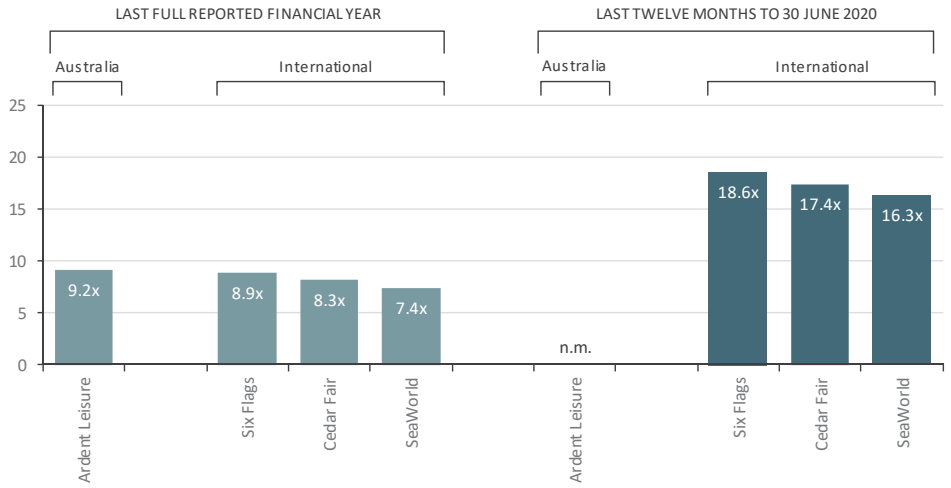
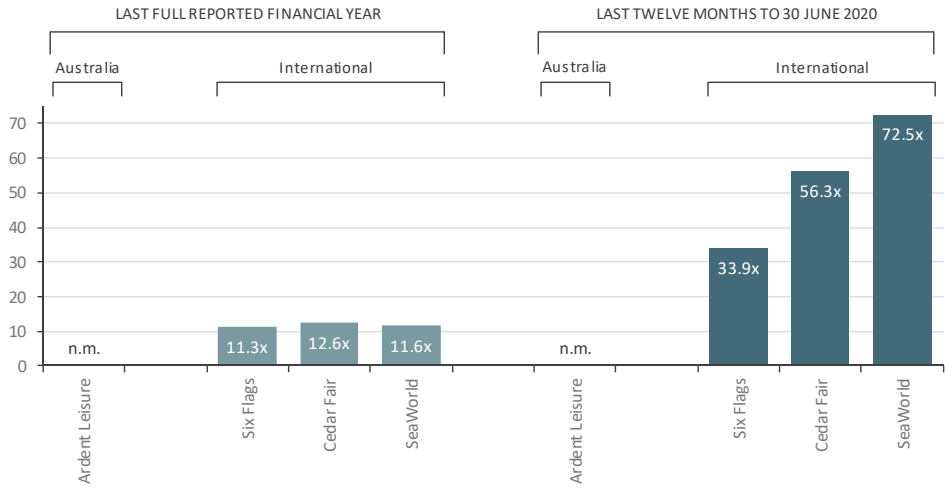
LISTED THEME PARKS COMPANIES
HISTORICAL EBITDA MULTIPLES



Source: Grant Samuel analysis[27]

LISTED THEME PARKS COMPANIES
HISTORICAL EBIT MULTIPLES



Source: Grant Samuel analysis[27]

The following should be considered when reviewing the above multiples:

- the multiples for the listed entities are based on share prices and therefore do not include a premium for control;

[27] Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence and company announcements.

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- all of the listed companies have a 31 December year end, except for Ardent, which has a 30 June year end. To align earnings for the comparable listed companies, multiples have been calculated based on earnings for the 12 months to 30 June 2020 (i.e. full year results for Ardent and the sum of half-yearly results for the offshore companies). In addition, multiples have been calculated using earnings for the last full year of pre-COVID trading (i.e. the year to 30 June 2019 for Ardent and to 31 December 2019 for the other companies);
- multiples based on earnings for the last twelve months reflect the impact of COVID-19 on earnings. To the extent that the earnings impacts vary significantly between the companies, multiple differentials may not be meaningful. Moreover, differing accounting treatments (particularly in relation to AASB 16 adjustments) limit comparability of the multiples of earnings for the 12 months to 30 June 2020;
- market prices presumably reflect a risked expectation of a return to "normal" trading. To the extent that FY19 earnings are a better measure of normalised earnings that FY20 earnings, multiples based on FY19 earnings arguably provide better valuation evidence;
- as a crude cross-check, Grant Samuel has also considered estimates of the value of the Theme Parks business based on a notional future value, discounted back to a current value to reflect the time value of money, the required equity risk premium and the COVID-19 and other risks that apply to the business. The notional future value was estimated based on an assumption that the Theme Parks business returns to historical levels of profitability by FY23, and applying "normal" trading multiples (i.e. the multiples that might apply in the absence of COVID) to those earnings, as evidenced by market multiples at 31 December 2019. While this analysis is subject to significant uncertainty and should be treated with considerable caution, it does provide broad supporting evidence for the valuation range adopted;
- Ardent is arguably the company most comparable to Village's Theme Parks business. Ardent owns and operates several premium leisure assets, including Dreamworld, WhiteWater World and SkyPoint in Australia and the Main Event bowling centres in the United States. However, Ardent's earnings history continues to reflect the consequences of the Dreamworld tragedy as well as its US bowling centre operations (which have been the key driver of earnings). Accordingly, the available multiple information is of limited relevance. Recent sharemarket trading has also reflected the sale of a 24.2% interest (plus an option to acquire an additional 26.8%) in the Main Event business to RedBird Capital Partners and an ongoing class action lawsuit in relation to the Dreamworld tragedy; and
- the US companies are considerably larger than Village's Theme Parks business and less reliant on international (and particularly Asian) tourism[28]. These companies trade in a relatively tight range of between 11.3-12.6 times EBIT for the last full reported financial year:
  - Six Flags Entertainment Corporation ("Six Flags") is the world's largest regional theme park operator and the largest operator of waterparks in North America based on the number of parks under operation. The company has grown its portfolio from 19 parks in 2009 to 26 in 2019, with revenue growing at a CAGR of approximately 5% over the past decade to US$1.5 billion in 2019;
  - Cedar Fair, L.P. ("Cedar Fair") owns and operates a portfolio of 13 regional amusement parks, water parks and hotels in the United States and Canada. In July 2019, the company expanded its footprint in the United States with the purchase of two iconic Schlitterbahn water parks in Texas and the Sawmill Creek Resort just outside Cedar Point; and
  - SeaWorld Entertainment, Inc. ("SeaWorld") is a theme park and entertainment company that owns and licenses a portfolio of brands including SeaWorld, Busch Gardens, Aquatica, Discovery Cove,

[28] IBISWorld forecasts that international visitors will account for approximately 6% of US amusement park industry revenue in 2020 compared to approximately 15% of Australian amusement park industry revenue in 2019.

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Sesame Place and Sea Rescue. The company owns a large zoological collection which is a feature of many of its 12 park assets.

Given the very wide range of multiples on which the comparable listed companies are trading and the comparable transactions were priced, judgements regarding the multiples that should apply to Village's Theme Park business are inherently subjective. Grant Samuel's valuation of the Theme Parks business in the range $475-525 million represents relatively low multiples of 6.4-7.1 times FY19 EBITDA, but multiples of historical FY19 EBIT (17.0-18.8 times) that are much higher than the multiples on which the comparable companies are trading (in the range 11.3-12.6 times EBIT).

While FY19 EBIT provides a reasonable indicator of "steady state" EBIT, Gold Coast Theme Parks depreciation and amortisation for FY19 of $42.8 million is significantly higher than projected levels of depreciation and amortisation for the period FY22-FY26, and significantly higher than average projected capital expenditures across the period. Accordingly, FY19 EBIT arguably understates free cash flows going forward. Grant Samuel has recalculated the multiples implied by its valuation of Theme Parks based on pro-forma FY19 EBIT, where the pro-forma EBIT reflects a reduction in depreciation and amortisation (and a corresponding increase in EBIT) of $5.5 million.

The multiples of pro-forma FY19 EBIT are compared with trading multiples for the comparable companies in the following table:

THEME PARKS BUSINESS – MULTIPLES OF PRO-FORMA FY19 EBIT

	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
		LOW	HIGH
Value range ($ million)		**475**	**525**
Multiple of EBIT (pre AASB 16) (pro-forma) (times)			
Theme Parks – Year ended 30 June 2019	33.4	14.2	15.7
Sharemarket evidence			
Cedar Fair – Year ended 31 December 2019		*12.6*	
SeaWorld – Year ended 31 December 2019		*11.6*	
Six Flags – Year ended 31 December 2019		*11.3*	

The multiples of pro-forma EBIT implied by the valuation range for Theme Parks represent premiums of approximately 13-39% relative to the multiples implied by the trading prices for the comparable companies. These premiums appear reasonable and appropriate, given that the valuation of Theme Parks represents a full underlying value, including a premium for control, whereas the multiples for the comparable companies reflect share market prices that do not incorporate a premium for control.

Overall, having regard to the factors set out above, Grant Samuel believes that the multiple evidence provides broad support for a valuation of the Theme Parks business in the range $475-525 million.

5.5 Value of Cinema Exhibition

5.5.1 Overview

Grant Samuel has valued the Cinema Exhibition business in the range $425-475 million.

The earnings multiples implied by the valuation of the Cinema Exhibition business are summarised below:

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CINEMA EXHIBITION BUSINESS – IMPLIED VALUATION PARAMETERS

	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
		LOW	HIGH
Value range ($ million)		**425**	**475**
Multiple of EBITDA (pre AASB 16) (adjusted) (times)			
Year ended 30 June 2019	54.0	7.9	8.8
Year ended 30 June 2020	(5.9)	*nmf*	*nmf*
Multiple of EBIT (pre AASB 16) (adjusted) (times)			
Year ended 30 June 2019	36.6	11.6	13.0
Year ended 30 June 2020	(22.2)	*nmf*	*nmf*

The valuation of the Cinema Exhibition business reflects:

- Village's long history in theatrical exhibition and strong market position, particularly in the Victorian marketplace;
- the strength of the Village brand;
- the barriers to entry for any potential new market entrants, particularly in relation to the obstacles to building a portfolio of attractive cinema sites;
- Village's track record of format innovation and ability to deliver continually improved consumer experiences; and
- the inherently defensive nature of the cinema exhibition business.

On the other hand:

- the Cinema Exhibition business has at best delivered flat performance over the four years to 30 June 2019 (i.e. in the pre-COVID period). In fact, across the four year period, paid admissions declined by around 5% (aggregate across the period), revenues were essentially flat, but earnings fell significantly (excluding the contribution from Village's interest in the Golden Village joint venture in Singapore, which Village divested in 2017, EBITDA fell from $70.3 million in FY16 to $53.9 million in FY19), reflecting ongoing cost pressures);
- the business is capital intensive, with ongoing refurbishments and upgrades required to deliver continued improvements in the consumer experience; and
- while cinema attendance has remained popular and cinemas continue to provide a unique experience, the reality is that consumers have an increasing number of alternative formats to consume video/film entertainment. In particular, the massive growth in popularity of streaming video on demand (services such as Netflix, Stan, Disney+, Amazon Prime, etc.), the growing availability of high speed broadband internet as the NBN rollout approaches maturity, and the falling cost and proliferation of viewing devices, including large flat screen TVs, tablets, etc., all provide competition in terms of both consumer time and expenditures. Some observers believe that one of the consequences of the COVID-19 lockdown has been a step-change, structural shift towards in-home entertainment.

5.5.2 Market Evidence and Analysis

Village expects that earnings for the Cinema Exhibition business for FY21 that will still be materially affected by cinema closures, restrictions on patron density in cinemas that are open, and consumer caution in relation to public gatherings. Thereafter, it is expected that the period FY22-FY23 will see a return to "normal" trading conditions and levels of profitability broadly consistent with the period FY18-FY19.

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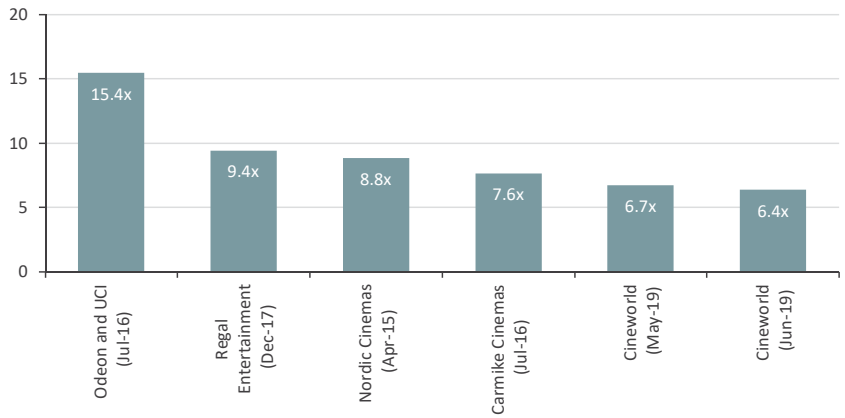
However, apart from the risks that COVID-19 impacts will continue for longer than expected (because of a "third wave" or for some other reason), it is difficult to be confident as to what "normal" trading will constitute in a post-COVID world, or whether a structural shift towards in-home entertainment will result in a permanent reduction in cinema patronage and profitability.

In this context, while the earnings trend for the Cinema Exhibition business for the four years to 30 June 2019 provides useful valuation evidence, and FY19 earnings are arguably the best benchmark against which to reference the value of the Cinema Exhibition business, judgements regarding the longer term performance of the business are subject to considerable uncertainty.

The following tables show the earnings multiples implied by sharemarket prices for a number of broadly comparable companies, as well as the earnings multiples implied by recent transactions in the sector. Grant Samuel has considered a number of earlier transactions but concluded that they provide little or no useful evidence as to value, given the movements in recent years in equity markets, interest rates and required rates of return, and business prospects generally.

Transaction Evidence

CINEMA EXHIBITION TRANSACTIONS
HISTORICAL EBITDA MULTIPLES



Source: Grant Samuel analysis[29,30]

[29] Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements and transaction documentation.

[30] Historical multiples are based on the most recent publicly available full year earnings prior to the transaction announcement date.

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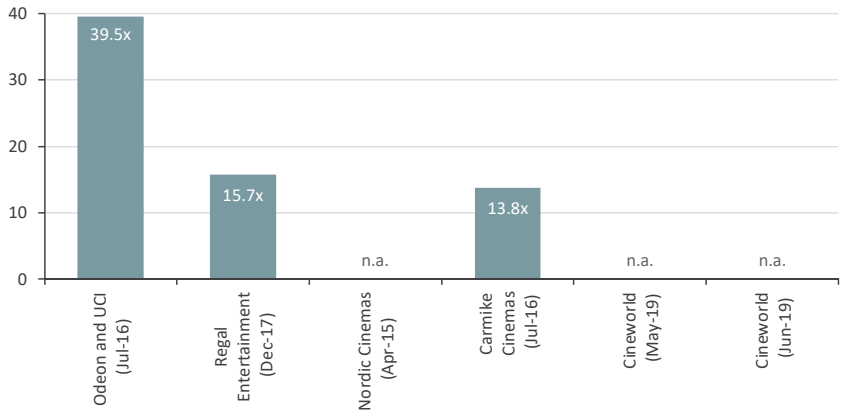

Source: Grant Samuel analysis[29,30]

In considering the evidence for completed transactions the following factors should be taken into consideration:

- international cinema chain AMC Entertainment Holdings ("AMC") acquired Europe's largest cinema exhibitor Odeon and UCI Cinema Holdings for consideration of £510 million and debt repayments of approximately £470 million in November 2016. The transaction was one in a series of acquisitions completed by AMC to broaden the scale of its business and establish its position as the world's largest cinema exhibitor. AMC expected to realise cost synergies of US$10 million per annum from the acquisition. This is reflected in the relatively high historical EBIT multiple implied by the transaction;
- as part of the expansion program, AMC acquired Carmike Cinemas, Inc. ("Carmike") for US$850 million in December 2016. Carmike operated largely in rural or suburban areas. The acquisition made AMC the largest cinema chain in the United States and was expected to generate US$35 million in annual cost synergies;
- in February 2018, British cinema company Cineworld Group plc ("Cineworld") acquired US cinema chain Regal Entertainment Group for US$3.6 billion. The transaction was completed at 15.7 times historical EBIT. The acquisition enabled Cineworld to gain access to the North American market and become a globally diversified cinema operator across 10 countries. Cineworld estimated that the enlarged group would achieve annualised pre-tax synergies of US$100 million and structuring benefits of US$50 million per annum;
- Cineworld also completed two sale and leaseback transactions in 2019 for a total of 35 US based multi-screen cinemas. Proceeds were used to reduce debt and return capital to shareholders; and
- European private equity group Bridgepoint Advisers acquired a majority interest[31] in Swedish cinema company Nordic Cinema Group AB ("NCG") for SEK4.7 billion in July 2015. NCG is the leading cinema operator in the Nordic region with a 44% share of total Nordic box office revenues at the time of acquisition. The historical EBITDA multiple implied by the transaction was 8.8 times.

[31] Prior to the transaction, 58% of NCG's shares were owned by private equity conglomerate Ratos AB ("Ratos"), 40% by Bonnier Holding ("Bonnier") and the remainder owned by management. Under the terms of this acquisition, Bridgepoint became the majority shareholder, with Ratos divesting its entire stake in NCG and Bonnier re-investing part of its proceeds to take a reduced stake alongside management.

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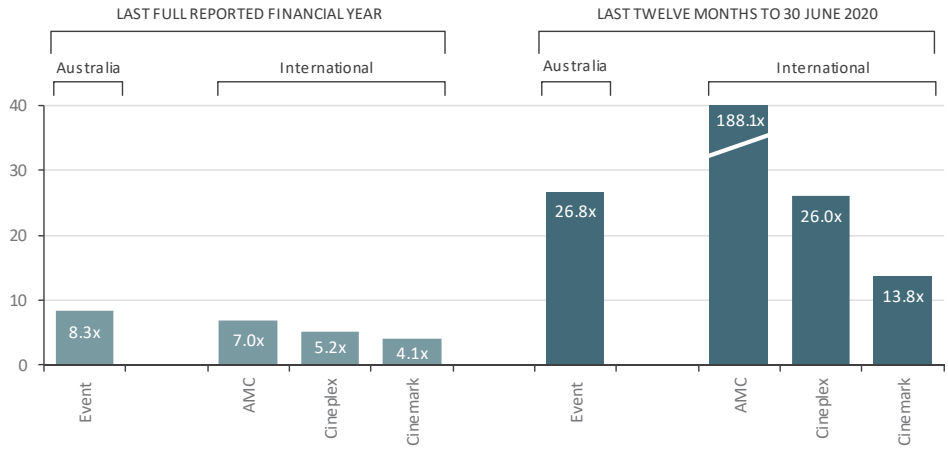
Sharemarket Evidence

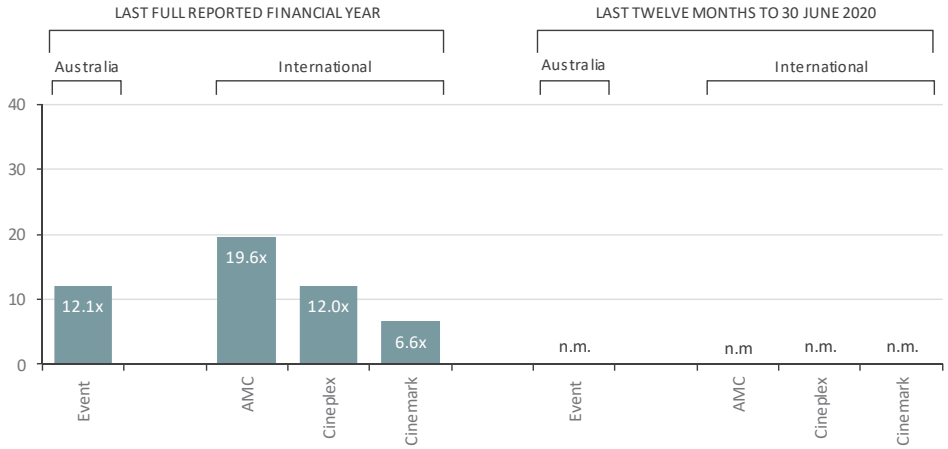
The following charts set out the implied EBITDA and EBIT multiples for a number of listed comparable companies based on share prices as at 15 September 2020.

LISTED CINEMA EXHIBITION COMPANIES
HISTORICAL EBITDA MULTIPLES



Source: Grant Samuel analysis[27]

LISTED CINEMA EXHIBITION COMPANIES
HISTORICAL EBIT MULTIPLES



Source: Grant Samuel analysis[27]

The following should be considered when reviewing the above multiples:

- the multiples for the listed entities are based on share prices and therefore do not include a premium for control;
- all of the listed companies have a 31 December year end, except for Event Hospitality, which has a 30 June year end. To align earnings for the comparable listed companies, multiples have been

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calculated based on earnings for the 12 months to 30 June 2020 (i.e. full year results for Event and the sum of half-yearly results for the offshore companies. In addition, multiples have been calculated using earnings for the last full year of pre-COVID trading (i.e. the year to 30 June 2019 for Event and to 31 December 2019 for the other companies);

- multiples based on current share prices and earnings for the last twelve months reflect the impact of COVID-19 on earnings. To the extent that the earnings impacts vary significantly between the companies, multiple differentials may not be meaningful. In addition, differing accounting treatments (particularly in relation to AASB 16 adjustments) limit comparability of multiples of earnings for the 12 months to 30 June;
- market prices presumably reflect a risked expectation of a return to "normal" trading. To the extent that FY19 earnings are a better measure of normalised earnings than FY20 earnings, multiples based on FY19 earnings arguably provide better valuation evidence;
- as a crude cross-check, Grant Samuel has also considered estimates of the value of the Cinema Exhibition business based on a notional future value, discounted back to a current value to reflect the time value of money, the required equity risk premium and the COVID-19 and other risks that apply to the business. The notional future value was estimated based on an assumption that the Cinema business returns to historical levels of profitability by FY23, and applying "normal" trading multiples (i.e. the multiples that might apply in the absence of COVID-19) to those earnings, as evidenced by market multiples at 31 December 2019. While this analysis is subject to significant uncertainty, it does provide broad supporting evidence for the valuation range adopted;
- Event is arguably the company most comparable to Village's Cinema Exhibition business. Event is the largest cinema exhibition company in Australia by number of screens and Village's joint venture partner. The company also engages in hotel and resort operations and property development. Cinema exhibition only accounts for around 50% of revenue and, therefore, the trading multiples for Event reflect its mix of businesses; and
- the international companies presented are each among the 10 largest cinema exhibition companies globally in terms of the number of screens operated. AMC is the world's largest cinema exhibition company (11,091 screens across the US, Europe and the Middle East), Cinemark Holdings, Inc. ("Cinemark") is the third largest operator (5,977 screens across the United States and Latin America) and Cineplex Inc. ("Cineplex") is the ninth largest operator (1,693 screens across the United States and Canada)[32]:
  - following an acquisitive period over 2015 to 2019, AMC has expanded its global footprint to establish leading positions in the United States and Europe. AMC is currently the largest cinema exhibition company worldwide with 1,004 theatres and 11,041 screens in 15 countries. This scale is reflected in its relatively high trading multiple;
  - Cinemark trades at 6.6 times EBIT for the last full reported year. Cinemark operates 345 theatres and 4,645 screens in the United States and 209 theatres and 1,487 screens in South America (primarily Brazil, Colombia and Argentina); and
  - Cineplex is a Canadian brand with operations in North America. The company also operates businesses in digital commerce, food service, alternative media and amusement solutions (including gaming and vending equipment) and operates entertainment facilities (including arcade centres and golf-themed entertainment centres). Cineplex's non-cinema operations account for approximately 15% of revenue and so trading multiples implied for Cineplex reflect its mix of businesses.

[32] Source: AMC, Investor Day Presentation, 17 April 2019. Ranking based on screen numbers as at 31 December 2018.

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Grant Samuel's valuation range of $425-475 million for the Cinema Exhibition business represents lower multiples of earnings than those implied by the valuation of the Theme Park business. Whilst Village expects that the Cinema Exhibition business will return to normal trading conditions more quickly that the Theme Parks business, reflecting the Theme Parks' exposure to international tourism, the more conservative approach to the valuation of the Cinema Exhibition business takes into account the following:

- the track record of declining patronage, revenue and earnings for the four years to 30 June 2019 (i.e. in the period prior to the onset of the COVID-19 pandemic);
- the absence of an obvious catalysts for a turnaround of the business, even once the COVID-19 pandemic has passed; and
- the risk that there has been a structural shift, arguably accelerated by the pandemic, towards the consumption of in-home video entertainment, which could put further pressure on the earnings of the Cinema Exhibition business.

Given the nature of the multiple evidence and the circumstances, the overall valuation is inherently subjective. However, in Grant Samuel's view, it is broadly consistent with the multiple evidence.

5.6 Value of Other Businesses

5.6.1 Overview

Grant Samuel's valuations of the Film Distribution business and the Marketing Solutions business (Opia) are summarised in the following table. For this purpose, Village's 31% interest in FilmNation has been disaggregated and separately valued:

OTHER BUSINESSES – VALUATION SUMMARY

	VALUATION RANGE	
	LOW	HIGH
Australian Film Distribution Business	30	40
FilmNation (31% interest)	20	30
Total Film Distribution Business	**50**	**70**
Marketing Solutions Business (Opia)	20	30
Total Other Businesses	**70**	**100**

5.6.2 Analysis

Australian Film Distribution

The Film Distribution business has recorded steep and continuing falls in earnings over the four years to 30 June 2019, with reported EBITDA falling from $24.5 million in FY16 to $8.6 million in FY19. The substantial earnings decline reflects a structural shift away from market segments in which Roadshow previously operated profitably (especially free-to-air TV and physical product), the growth of streaming video on demand (which provides fewer attractive opportunities for Roadshow), and pressure on the profitability of theatrical exhibition. FY20 earnings (reported EBITDA of $3.8 million) were further affected by the impact of the COVID-19 pandemic. On 21 September 2020 Village announced that its agreement for theatrical distribution of Warner Bros. product would not be renewed on expiry on 31 December 2020.

Reported earnings for the Film Distribution business include the equity accounted share of profits from Village's 31% interest in FilmNation, which contributed a profit of $1.4 million for FY19 and a loss of $2.6 million for FY20. Adjusting for these earnings contributions, Roadshow reported EBITDA of $7.2 million in FY19 and $6.4 million in FY20.

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The history of declining earnings, together with the uncertainty related to COVID-19 and its potential longer term structural consequences, mean that the selection of earnings for valuation purposes and the multiples to apply to those earnings is not straightforward. Grant Samuel has adopted for valuation purposes EBITDA of $7.0 million and EBIT of $3.0 million (on a pre AASB 16 basis), broadly reflecting the FY19 performance, average depreciation levels across FY19 and FY20 and the impact of the loss of the Warner Bros. theatrical distribution rights.

Grant Samuel's valuation range for Village's Australian Film Distribution business of $30-40 million represents 4.3-5.7 times EBITDA for valuation purposes and 10.0-13.3 times EBIT for valuation purposes. The (limited) valuation evidence from other film distribution businesses is not relevant to Village's distribution business, given the relatively small size of the business and its track record of declining earnings (e.g. Lions Gate Entertainment Group has a market capitalisation of approximately US$2.1 billion and substantial earnings). Accordingly, the valuation range (and implied multiples) for Village's Australian film distribution business are largely a matter of judgement. Nonetheless, Grant Samuel believes that the valuation range is reasonable, appropriately balancing the poor earnings record of the business against its positive characteristics, including brand, expertise and presence in all the relevant segments of the Australian market.

FilmNation

Village acquired its 31% interest in FilmNation for US$18 million in December 2014. Since then the investment has contributed modest profits or losses to Village (on an equity accounted basis) and made modest cash distributions to Village. Village believes that the value of FilmNation's film library is significantly greater than the value implied by its equity accounted share of earnings and is investigating options to realise its investment in FilmNation.

Grant Samuel's valuation of Village's 31% interest in FilmNation in the range $20-30 million reflects the original investment cost, recent market feedback and other advice received as to the potential realisable value of the FilmNation interest.

Marketing Solutions

Village acquired its 80% interest in the Opia marketing solutions business for £24 million in December 2015 (approximately $48 million at the then prevailing exchange rates). Recent financial performance has been disappointing, with reported EBITDA for the overall Marketing Solutions business falling to $5.3 million for FY19 and then $3.1 million for FY20. Of these amounts, Edge Loyalty Systems, divested for $32.3 million in October 2019, had contributed $3.0 million of reported EBITDA in FY19 and $1.5 million in FY20.

However, following a restructuring of the business, Village expects a turnaround in earnings, with the Opia business trading relatively strongly through the COVID-19 period. Having regard to earnings for FY19 and Village's expectations for a turnaround of the business, and factors including the business' dependence on key management and low barriers to entry, Grant Samuel has valued Village's 80% interest in the business in the range $20-30 million.

5.7 Discounted Cash Flow Scenario Analysis

5.7.1 Introduction

Grant Samuel has used DCF analysis as a cross check of the capitalisation of earnings based valuations.

Village management have prepared a model that projects earnings and cash flows over a six year period. The directors of Village have decided not to disclose the model or its earnings and cash flow forecasts in the Scheme Booklet and accordingly Grant Samuel has not disclosed these forecasts in this report.

Instead, Grant Samuel has undertaken high level DCF scenario analysis to test the impact on calculated NPV of various assumptions around the future unfolding of the COVID-19 pandemic and the future trajectory of

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Village's free cash flows. The DCF model forecast nominal after tax cash flows from 1 July 2020 to 30 June 2030, a period of 10 years, with a terminal value estimated by capitalising net after tax cash flows using a perpetual growth rate assumption of 2%.

The model forecasts cash flows for Village as a whole, based on EBITDA growth assumptions for the individual businesses for the six years to 30 June 2026, followed by assumptions of overall growth at a business level in subsequent years. The model takes into account projected capital expenditures and reflects the low working capital intensity of the businesses (little or no investment in working capital is required to support earnings growth, as much of the revenue of the businesses is "cash" paid or received in advance of accounting recognition).

The other key assumptions are:

- depreciation has been based on the five year historical average over FY16 to FY20;
- corporate costs have been adjusted for the savings set out in Section 5.9;
- corporate tax has been applied at a rate of 30%;
- working capital movements to FY26 are based on Village forecasts. For the period from FY27 onwards, working capital movements are assumed to be neutral (i.e. continued growth on average does not necessitate any investment in working capital); and
- capital expenditure to FY26 is based on the Six Year Forecast model. For the period from FY27 onwards, annual capital expenditure is assumed to be equal to 40% of EBITDA, being the five year average for FY22 to FY26.

A discount rate (WACC[33]) in the range 7.5-8.5% for Village has been adopted. The determination of the appropriate discount rate for the analysis is difficult:

- the cost of equity capital is not a precise or provable number nor can it be estimated with any degree of reliability. The cost of equity capital is not directly observable and models such as the CAPM do no more than infer it from other data using one particular theory about the way in which security prices behave. The usefulness of any estimate therefore depends on the efficacy of the theory and the robustness of the data. Theoretical frameworks such as CAPM involve models that have questionable empirical validity (and competing formulations), simplifying assumptions, the use of historical data as proxy for estimates of forward looking parameters, data of dubious statistical reliability and unresolved issues (such as the impact of dividend imputation).

  It is easy to credit the output of models with a precision they do not warrant. The reality is that any cost of capital estimate or model output should be treated as a broad guide rather than an absolute truth. The cost of capital is fundamentally a matter of judgement, not merely a calculation;
- measurement of the market risk premium is open to debate, even at the best of times. Most practitioners opt for using a "stable" risk premium and around 6% is a relatively common benchmark. However, equity markets are inherently volatile and the "true" risk premium rises and falls. There was considerable press and other comment that the risk premium may have increased at the height of the financial crisis inspired by the COVID-19 pandemic in March 2020, but the subsequent recovery in global equity markets and relative stability in recent months suggest this additional risk premium may have dissipated; and
- strict application of the CAPM at the present time (using current parameters) gives results that are arguably unrealistically low and understate the true cost of capital (primarily because of extremely low government bond rates). While government bond rates across the globe have fallen even further since the start of 2020 and the broad expectation is that they will remain extremely low for many

[33] WACC is weighted average cost of capital.

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years as the world economy seeks to recover from the impacts of COVID, discount rates estimated via strict application of the CAPM do not seem to accord with the basis on which investors set their expected returns. Some academics/valuation practitioners consider it to be inappropriate to add a "normal" market risk premium (e.g. 6%) to a temporarily depressed bond yield and therefore advocate that a "normalised" risk free rate should be used. On the other hand, it may also be the case that valuation practitioners, investors, corporates and other market participants have for some time been overestimating the cost of equity, as reductions in estimates have for many years lagged behind reductions in risk free rates globally, arguably in conjunction with an overestimation of likely future growth rates.

Grant Samuel has calculated a theoretical WACC in the range 6.9-8.0% on the basis of the following parameters:

- market risk premium of 6%;
- beta of 0.8-1.0, above historical measured betas but well below betas estimated on the basis of recent relative share price performance;
- a risk free rate of 3% (recognising that this is around 200bps above current risk free rates); and
- gearing of 20-25% and a cost of debt estimated at 300bps above reference rates.

Having regard to this calculation, for the purpose of this assessment Grant Samuel has adopted a discount rate in the range 7.5-8.5%. While this range (particularly at the bottom end) may be lower than that adopted by many analysts, Grant Samuel believes that it is reasonable, given that Grant Samuel is explicitly attempting to capture COVID-19 related risks through the scenario analysis (i.e. the discount rate is conceptually not accounting for COVID-19 related uncertainty).

5.7.2 Limitations

The DCF model is based on a number of assumptions and is subject to significant uncertainties and contingencies, many of which are outside the control of Village. Key assumptions regarding future operational performance are highly uncertain and there is scope for significant differences of opinion in relation to these assumptions.

As a result of these uncertainties, there is a wide range of potential outcomes. In particular, Grant Samuel believes that the base case, while arguably representing a reasonable most likely scenario, is also effectively a best case. It assumes that Australian will exit current COVID-19 restrictions on the basis that there are no further significant COVID-19 outbreaks across Australia, that Victoria exits lockdown in the last quarter of 2020 and that inter-state border restrictions are accordingly lifted pre-Christmas 2020. It is unlikely that there will be a materially better outcome than this. However, there is clearly a possibility of less positive outcomes, involving further COVID-19 outbreaks in Australia or the deferral of international travel for longer than expected. Accordingly, Grant Samuel has considered a number of downside scenarios (described in more detail below) to reflect the impact on value of key assumptions relating to revenue and earnings.

It should be recognised that the scenarios are highly simplified. Nevertheless, Grant Samuel considers that the analysis does provide some insight into value. In view of the uncertainties surrounding the future of Village's businesses, the scenarios analysed are, to some extent, arbitrary. However, they reflect the range of judgements that potential buyers of the business could make. The scenarios do not, and do not purport to, represent the full range of potential outcomes for Village's business operations. They do no more than provide an indication of the sensitivity of estimated NPVs to alternative assumptions regarding growth in free cash flows.

The scenarios do not represent Grant Samuel's forecasts of the future financial performance of Village. The scenarios have been developed purely to allow Grant Samuel to assess the impact on calculated net

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present values of alternative assumptions regarding the future financial performance of Village and its businesses. Grant Samuel gives no undertaking and makes no warranty regarding the future financial performance of Village and its divisions. Such future performance is subject to fundamental uncertainty.

5.7.3 NPV Outcomes

Grant Samuel has adopted three indicative scenarios, as described in more detail below. The scenarios are focussed purely on operating cash flows (i.e. they are not based on detailed assumptions regarding the underlying drivers of revenues and costs, but rather consider only aggregated EBITDA, capital expenditure assumptions and free cash flows).

The scenarios are summarised as follows:

DCF SCENARIOS

SCENARIO	DESCRIPTION
Scenario A	Scenario A assumes that cinemas in Victoria remain closed until the end of October 2020. Victorian cinemas are assumed to operate under the 'four square metre' rule[34], representing approximately 50 guests per cinema, until the end of November 2020 when restrictions are eased to a 'two square metre' rule. Trading is assumed to return to normal from January 2021. Theme parks are assumed to remain open, operating with reduced capacity under Village's COVID Safe plan. Queensland's borders are assumed to reopen at the end of November 2020, with visitors from Victoria and NSW returning at a reduced rate initially before recovering to pre-COVID levels from December 2021. New Zealand visitors are assumed to return from April 2021 at a reduced rate initially before recovering to pre-COVID levels from December 2021. International visitors are assumed to return from July 2021 at a reduced rate initially before recovering to pre-COVID levels from December 2022.
Scenario B	Scenario B assumes cinemas reopen as above. Theme parks are assumed to remain open as above. However, it is assumed that there will be no visitors from NSW for the six months to March 2021. This scenario is represenative of a COVID-19 outbreak in NSW, resulting in the extension of border closures to March 2021
Scenario C	Scenario C assumes the reopening of cinemas in Victoria is deferred until February 2021. This is represenative of an extension of the Stage 4 restrictions in place in Victoria as at the date of this report. Theme parks are assumed to close for the period to January 2021. This is representative of a COVID-19 outbreak in south-east Queensland, resulting in the temporary closure of theme parks on the Gold Coast.

The scenarios mainly affect FY21 EBITDA for Village's Theme Parks and Cinema Exhibition businesses. The following chart shows EBITDA (pre AASB 16) for the three scenarios:

[34] In response to COVID-19, the Victorian Government has implemented a 'four square metre' rule to promote physical distancing which requires there to be four square metres of space per person, on average, in a room or enclosed space.

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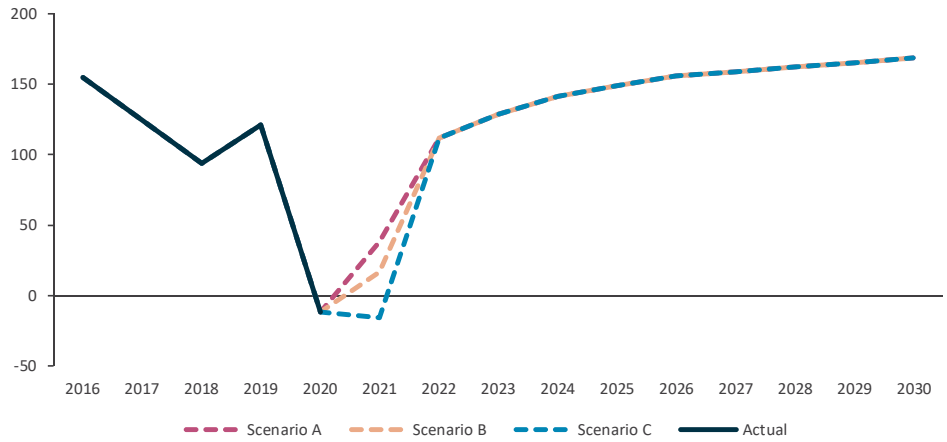
EBITDA (PRE AASB 16) BY SCENARIO ($ MILLION)



Source: Grant Samuel analysis
Note: FY16-20 actual EBITDA reflects adjusted EBITDA and includes share of net profits from FilmNation.

The NPV outcomes for these scenarios, using discount rates of 7.5-8.5%, and the implied per share values for Village, are presented below:

ESTIMATED NPV AND VALUE PER SHARE BY SCENARIO

	ESTIMATED NPV ($ MILLION)		VALUE PER SHARE ($)	
DISCOUNT RATE	8.5%	7.5%	8.5%	7.5%
Scenario A	710	859	2.20	2.96
Scenario B	695	844	2.12	2.88
Scenario C	673	822	2.01	2.77

Source: Grant Samuel analysis

DCF analysis is subject to significant limitations and should always be treated with considerable caution. Terminal values represent around 60-70% of the NPV outcomes presented above. Terminal value estimates are extremely sensitive to small changes in assumptions regarding growth rates in perpetuity.

The DCF analysis does not reflect all the value opportunities available to Village. In particular, the DCF analysis does not incorporate the potential value of development opportunities provided by Village's extensive landholding and long operating history on the Gold Coast, including the potential development of a Movie World hotel and a proposed Gold Coast Spit re-development. It does not take into account the full value of Village's FilmNation investment. Adjusting for these interests could potentially add value in the approximate range of $0.10-0.15 per share.

On the other hand, the DCF analysis does not canvass the full range of realistic scenarios for Village's longer term trading, which in Grant Samuel's view are likely to be skewed to the downside. For example, a number of additional (and potentially more adverse) downside scenarios related to Australia's exit from the COVID-19 pandemic, involving long delays in the resumption of significant levels of international travel, could be plausible. The DCF analysis does not reflect the risk for the Theme Parks business of a longer term reduction in Chinese tourism as a result of current geo-political tensions unrelated to COVID-19. It assumes that the Film Exhibition business will return to pre-COVID levels of trading, and then grow slowly. The earnings track record of the Film Exhibition for the four years to 30 June was one of ongoing declines in revenues and earnings.

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There is no objective basis for attributing probabilities to the various scenarios set out above, or to the many other scenarios that could be hypothesised. However, on the basis that Scenario A (or outcomes broadly consistent with Scenario A) represent a most likely outcome, and that downside cases represent realistic but significantly less likely outcomes, Grant Samuel believes that the indicative DCF scenario analysis provides broad support for Grant Samuel's valuation of Village in the range $690-840 million.

5.7.4 Transaction Process

The generally accepted definition of "fair market value" is the highest value that can be realised for a business or asset through a transaction between unrelated parties, where neither is under any compulsion to buy or sell, in an open market over a reasonable period of time, assuming that potential buyers have full information. Accordingly, a competitive sale process in which bidders have access to appropriate information and sufficient time to evaluate the business and consider their interest would generally be expected to realise a value representing fair market value.

Village has arguably been "on the market" ever since it was received an indicative offer from PEP in December 2019. The announcement on 19 December 2019 that PEP had acquired a call option over approximately 19% of Village's shares and had made a non-binding indicative offer to acquire the remaining shares in Village, made it clear that VRC was prepared to facilitate a transaction and that Village was "in play".

A considerable period elapsed between this announcement and the announcement on 6 August 2020 of the Transaction, during which other parties would have had time to reflect on their potential interest in Village. There was ample time for parties to consider an alternative offer.

The onset of the COVID-19 pandemic has materially affected the value of Village. However, it would not have affected the perception of parties interested in Village that control of Village was potentially available. The Transaction proposal from BGH has been the only offer for Village that has emerged.

Moreover, since the announcement of the Transaction Process Deed with BGH on 15 May 2020 and the subsequent announcement of the Transaction on 6 August 2020, there has been no meaningful impediment to a higher proposal from a third party (although BGH does have certain customary deal protection and matching rights). The BGH offer has been widely publicised and it is reasonable to conclude that all parties conceivably interested in an acquisition of Village would have become aware of the opportunity. No higher offer has been forthcoming.

In the event that no alternative proposal for Village emerges before the meeting at which shareholders will vote on the Transaction, it will be reasonable to conclude that the BGH Transaction represents the highest price for Village available in the current market. On one view, this would definitionally mean that the consideration under the Transaction represents fair value.

5.8 Net Borrowings

Net borrowings for valuation purposes have been estimated on the basis of Village's net balance sheet debt at 30 June 2020, adjusted for deferred creditors as follows:

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VILLAGE – NET BORROWINGS ($ MILLIONS)

FACILITY	FACILITY SIZE	AMOUNT DRAWN	TERM/MATURITY
Revolving facility	229.6	(224.6)	January 2022
Term debt facility	110.4	(110.4)	January 2024
Other facilities		(7.1)	
Total borrowings		**(342.1)**	
Cash and cash equivalents		63.8	
Net borrowings (excluding deferred creditors)		**(278.3)**	
Deferred creditors		(14.5)	
Adjusted net borrowings (including deferred creditors)		**(292.9)**	

Source: Village

In response to COVID-19, Village negotiated certain rental and other creditor deferrals. As at 30 June 2020, the total amount deferred, which would otherwise in the ordinary course have been paid before 30 June 2020 and reflected in a reduction in cash and cash equivalents, was $14.5 million. Net borrowings for valuation purposes have been increased by $14.5 million to adjust for these deferred creditors.

5.9 Corporate/Head Office Costs

Village incurs substantial corporate and head office costs that are not reallocated to its operating businesses, estimated to be approximately $28 million for the year ending 30 June 2021 (before JobKeeper support payments). These costs include senior executive salaries, property costs, information technology costs, and costs associated with being a listed public company (board costs, listing fees, advisory and audit costs).

It is appropriate to incorporate into the valuation of Village any cost savings and other synergies that would be generally available to acquirers of Village. It appears, at the current time at least, that the only potential acquirers of Village are private equity firms. Such acquirers would generally have limited opportunities to achieve cost savings and synergies, with cost savings generally limited to corporate/head office costs, particularly those associated with Village's status as a listed company.

On the basis of a review of Village's cost structure, it appears that approximately $5-7 million of cost savings should be generally available to acquirers of Village. The residual unallocated corporate costs of approximately $22 million per annum have not been reflected in the valuation of Village's operating businesses. Grant Samuel has capitalised these corporate costs in the range $(280)-(260) million, representing multiples of 11.8-12.7 times.

It is common practice to capitalise corporate costs at multiples consistent with the multiples applied or implicit in the valuation of the relevant operating businesses. However, this is no more than a rule of thumb, commonly ignoring the differences between EBITDA and EBIT multiples, and taking no specific account of the riskiness of the cash flows associated with the corporate costs.

In the case of Village, high levels of capital expenditure mean that EBITDA is a poor reflection of free cash flow and so multiples of EBIT are clearly the appropriate benchmark. The overall valuation of Village represents multiples of 13.5-16.4 times EBIT for FY19. However, this includes significantly higher multiples of FY19 EBIT for the Theme Parks business of 17.0-18.8 times, reflecting the expectations of post-COVID recovery and continued growth in the business. The EBIT multiples implied by the valuation of the lower growth Cinema Exhibition business are significantly lower (11.6-13.0 times). The multiples implicit in the value attributed to Village's capitalised corporate costs (11.8-12.7 times) are consistent with the multiples for the Cinema Exhibition business. In Grant Samuel's view this is appropriate, given the low growth expectations for both Cinema Exhibition earnings and Village's corporate costs.

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An alternative approach to capitalising corporate costs is via discounted cash flow analysis. This approach is also not straightforward, because it requires the estimation of discount rates applicable to cash flows associated with corporate costs. In particular, the discount rates need to reflect the fact that because corporate costs are relatively stable, they have some bond-like characteristics or, at the very least, are characterised by significantly less systematic risk than overall business cash flows. The capitalisation of Village's corporate costs of $22 million per annum, growing at 2% per annum, in the range $(280)-(260) million implies discount rates of around 7.5-8.0%. These rates are lower than those that were applied to discount Village's overall cash flows in Grant Samuel's indicative DCF scenario analysis. Lower rates are intuitively appropriate for stable, low risk cash flows (and a case could be made that discount rates even lower than 7.5-8.0% should be applied to corporate cash flows). Overall, in Grant Samuel's view, DCF analysis supports the estimated capitalised value of Village's corporate costs.

The estimated capitalised (negative) value of Village's corporate costs of $(280)-(260) million has been deducted from the value of Village's operating businesses.

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6 Evaluation of the Transaction

6.1 Summary

Grant Samuel has concluded that the Transaction is fair and reasonable. Accordingly, the Transaction is in the best interests of Village shareholders, in the absence of a superior proposal.

6.2 Consideration Value

The base cash offer price is $2.20 per share for Structure A and $2.10 per share for Structure B. Under both Structure A and Structure B, shareholders are also potentially entitled to the contingent Theme Parks Uplift payment of $0.12 per share.

As a consequence of the deferral of the release of three relevant films, it appears that the Cinema Uplift contingent payment of $0.08 per share will not be payable and Grant Samuel has attributed no value to this contingent payment.

The Border Uplift contingent payment of $0.05 per share will only be payable if there are:

- no border control measures imposed by the Queensland Government in force as at 1 November 2020 that prohibit any person from entering Queensland from New South Wales; and
- no such measures in relation to Victoria in force as at 15 November 2020.

Given the current COVID-19 restrictions in place in Victoria, Village considers that it is unlikely that the requirements for the Border Uplift to be payable will be met. Grant Samuel has attributed no value to this contingent payment, although there is still a theoretical possibility that ultimately it could be payable.

Based on the current Scheme timetable, Village expects that the relevant date for determining whether the Theme Parks Uplift will be payable will be around 13 November 2020.

As of the date of this report, the theme parks are open to the public and have been for some months. New COVID-19 infection rates in Queensland and New South Wales have been very low for some time and have declined significantly in Victoria. Accordingly, it appears highly likely that the theme parks will continue to be open across the Relevant Period and that the Theme Parks Uplift of $0.12 per share will be payable. For the purpose of assessing the value of the consideration, Grant Samuel has assumed that the Theme Parks Uplift will be paid.

On that basis, Grant Samuel has attributed value of $2.32 per share to the cash consideration under Structure A and value of $2.22 per share to the cash consideration under Structure B. Nearer to the date of the Scheme Meeting shareholders will be in a better position to confirm whether the Theme Parks Uplift (and, possibly, the Border Uplift) will be payable.

6.3 Fairness

Grant Samuel has estimated a full underlying value for Village, including a premium for control, in the range $397-547 million, which corresponds to a value of $2.03-2.80 per share.

The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Village shares to trade on the ASX in the absence of a takeover offer (or speculation as to an offer). The valuation is set out in detail in Section 5 of this report.

Grant Samuel has attributed a likely value to the consideration under the Transaction of $2.32 per share for Structure A and $2.22 per share for Structure B. The estimated value of the consideration falls within the valuation range for Village. Accordingly, in Grant Samuel's opinion, the Transaction is fair and reasonable and in the best interests of Village shareholders, in the absence of a higher offer.

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It is possible that unexpected developments in relation to the COVID-19 pandemic could affect whether the Theme Parks uplift will ultimately be payable. In particular, in the hypothetical event that adverse COVID-19 related developments in Queensland were to result in the closure of the theme parks such that the Theme Parks Uplift were no longer payable, the value of Village would also be expected to fall, broadly in line with the reduction in the value of the contingent consideration. Grant Samuel's conclusions as to fairness would not be affected.

There is fundamental uncertainty around the possible future COVID-19 impacts on Village's operating and financial performance in the short to medium term. As a result, theoretical judgements regarding the value of Village are inevitably imprecise. In this context, market based evidence is useful in assessing the fairness of the Transaction. Village has effectively been "on the market" for some time: arguably, ever since the announcement in December 2019 of the PEP proposal to acquire Village. Other than the Transaction proposed by BGH, no offers have emerged. While no formal competitive process has been conducted to solicit counter-offers for Village, the circumstances suggests that the Transaction represents the highest offer available for Village in the current market. On this view, the consideration under the Transaction would definitionally represent fair value.

6.4 Reasonableness

As the Transaction is fair, it is by definition reasonable. Given the passage of time since proposals for an acquisition of Village were made in December 2019, the prospects of a higher offer from a third party appear remote. In the absence of a change of control proposal for Village, Grant Samuel expects that Village shares would trade at prices well below the value of the consideration under the Transaction.

6.4.1 Premium for Control

Village's shares closed at $1.765 immediately before the announcement on 15 May 2020 of a Transaction Process Deed under which Village undertook to negotiate exclusively with BGH in relation to a potential change of control transaction. The value attributed by Grant Samuel to the cash consideration under Structure A of $2.32 per share represents the following premiums relative to the Village share price for various periods up to and including 15 May 2020:

VILLAGE – IMPLIED PREMIUMS OVER PRE-ANNOUNCEMENT SHARE PRICES

PERIOD	SHARE PRICE	PREMIUM
15 May 2020 – last closing price pre-announcement	$1.77	31.4%
5 days prior to 15 May 2020 – VWAP[35]	$1.93	20.0%
1 month prior to 15 May 2020 – VWAP	$1.92	20.5%
19 March 2020[36] to 15 May 2020 – VWAP	$1.43	62.0%

Source: IRESS and Grant Samuel analysis

The premiums set out above for the period up to one month prior to 15 May 2020 are significant. They are broadly consistent with premiums typically regarded as the benchmark for successful change of control transactions in the Australian sharemarket (20-35%). They do not reflect the potential negative share price impact that may have resulted from the "second wave" of Victorian COVID-19 infections, had the negotiations with BGH not already been announced, and so arguably could understate the "true" premiums.

[35] VWAP refers to volume weighted average price.

[36] On 19 March 2020, Village released an announcement to the ASX entitled "Update on COVID-19 Response".

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6.4.2 Financial Position

As part of its response to the decline in trading conditions caused by the COVID-19 pandemic, Village arranged a $70 million facility provided, in part, by its banking syndicate and, in part, by the Queensland government. It is a condition of the facility that, if no change of control transaction is concluded, Village must raise a minimum of $35 million through new shareholder equity or equity like instruments, by the earlier of the Company's half year announcement in February 2021 or three months after the termination of a transaction with BGH.

In addition, Village has a near fully drawn revolving facility of $230 million that matures in January 2022. Given the significant reduction in Village's earnings, the increase in its net debt and the consequent decline in key credit metrics, it appears likely that Village will need to raise further additional equity as part of the refinancing of the revolving facility. The timing and quantum of that equity raising will depend in part on the actual performance of Village's business in the intervening period, but it would potentially be optimal to consolidate the two equity raisings into a single raising in early 2021.

6.4.3 Share Trading in the Absence of any Transaction

The Transaction enables shareholders to realise their investment in Village at a price which incorporates a premium for control. In the absence of the Transaction or a similar transaction, shareholders could only realise their investment by selling on market at a price which does not include any premium for control and would incur transaction costs (e.g. brokerage).

Absent the Transaction, Village would remain fundamentally exposed to the COVID-19 "exit path", both in Australia and internationally. Accordingly, Grant Samuel expects that Village shares would trade at prices well below the value of the consideration under the Transaction, in the absence of the Transaction or some similar change of control proposal for Village. It is likely that pressure on the Village share price would be exacerbated by a market expectation that Village would need to raise potentially significant amounts of new equity. The structure and pricing of such an equity raising would depend on market conditions at the time. Given the potential quantum of any equity raising and the structure of Village's share register, it is likely that any new share issue would be at deeply discounted prices and potentially dilutive for existing shareholders.

6.4.4 Alternatives

In weighing up any offer, shareholders need to have regard to the alternatives that are realistically available to them. There is no indication that there is a realistic prospect of a competing bid by any third party. Given that Village has effectively been "on the market" for some time, the prospects of a higher offer from a third party appear remote. In any event, until the Scheme meeting there will continue to be an opportunity for any third party that is interested to put forward a superior proposal.

6.5 Scrip Consideration

Under Structure A, Village shareholders will be entitled to elect to receive unlisted shares in a new holding company (HoldCo) that will (via interposed entities) hold 100% of the shares in Village. Under Structure B, Village shareholders will be entitled to retain their existing Village shareholdings, and Village will subsequently be delisted from the ASX. In both cases, shareholders will potentially be subject to scale back. The relevant arrangements are complex and are set out in detail in the Scheme Booklet.

Village shareholders who elect to receive shares in HoldCo in Structure A, or to retain their shares in Village in Structure B, will retain an economic interest in Village's business operations and assets (although the extent of this interest could be diluted in the event that any scale back applies). These shareholders:

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- may be able to participate in any future exit by BGH of its investment in Village (which may be at a higher value or a lower value than the cash payments under the Scheme). However, there can be no certainty as to the timing or mechanism of any potential exit and the value that would ultimately be realised; and
- in certain circumstances, may be able to defer the tax consequences that would otherwise result from accepting the cash consideration under Structure A or Structure B.

On the other hand, shareholders who elect to accept the share alternative under Structure A or Structure B:

- will no longer have the protections offered under the ASX Listing Rules and Australian corporate law for listed public companies in relation to takeovers, acquisition of substantial shareholdings and certain minority protection rights;
- will be subject to the provisions of the relevant Shareholders' deeds (see Section 7.4 of the Scheme Booklet);
- will effectively have to accept the capital structure preferences and value realisation strategies implemented by BGH;
- will have little or no influence over the appointment of directors;
- should have no expectation of any dividend distributions, at least for some years;
- in certain circumstances, could have their shareholdings diluted; and
- most importantly, will no longer have a liquid market in which to realise their investment.

Prima facie, the underlying value of a share in Holdco (or a retained Village share) on implementation of the Transaction will be the same as the underlying value of a share in Village before implementation of the Transaction. However, the realisable value of a share in Holdco (or a retained Village share) will be quite different. Shareholders who elect to receive HoldCo shares in Structure A or to retain Village shares in Structure B would hold shares in an unlisted, highly illiquid vehicle where:

- there are substantial restrictions on the ability to transfer shares (see Sections 7.4 and 8.4 of the Scheme Booklet);
- there is no organised market for their shares; and
- there is no guarantee as to whether or when shareholders might be able to extract value, and what price, if any, shareholders might be able to realise for their shares.

The underlying value of Village (and the underlying value of shares in HoldCo or a delisted Village) will vary over time depending upon multiple factors, including the performance of the Village businesses. It is not possible to estimate the realisable value of HoldCo or Village shares, either in the short term or ultimately. In the short term, the lack of a liquid (or possibly any) market for the relevant shares may mean that the price available to shareholders who wish to realise their shares would be at best at a very deep discount to underlying value. The price realisable for HoldCo or Village shares in the longer term will depend on the value ultimately achieved by BGH on exit of its investment.

Shareholders contemplating an election to receive shares in HoldCo or to retain shares in a de-listed Village should understand that this is a decision independent of a decision to approve the Transaction. Given that they are foregoing the cash consideration available, such shareholders are essentially choosing to make a fresh investment decision where the investment price is equal to the cash consideration otherwise available. Such an investment is likely to be appropriate only for sophisticated investors. Shareholders contemplating such an investment should seek independent professional advice. Grant Samuel offers no recommendation in that regard.

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6.6 Other Matters

Taxation Consequences

If the Transaction is implemented, shareholders will be treated as having disposed of their Village shares for tax purposes. A capital gain or loss may arise on disposal depending on the cost base for the Village shares, the length of time held, whether the shares are held on capital or revenue account and whether the shareholder is an Australian resident for tax purposes.

Details of the Australian taxation consequences for Village shareholders who are Australian resident individuals and hold their shares on capital account are set out in Section 10 of the Scheme Booklet.

Transaction Costs

If the Transaction is not implemented, it is estimated that Village will incur costs (including legal and other adviser's fees as well as printing and mailing costs) of $7.007 million (excluding GST).

The Implementation Agreement also sets out certain circumstances in which a break fee of $4.29 million or approximately 1% of equity value would be payable to BGH, or reverse break fee of the equivalent amount would be payable to Village.

6.7 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Transaction is fair and reasonable to shareholders and in the best interests of shareholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Transaction, the responsibility for which lies with the directors of Village.

In any event, the decision whether to vote for or against the Transaction is a matter for individual shareholders based on each shareholder's views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Transaction, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Village, or to accept scrip consideration if the Transaction is approved. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to vote for the Transaction. Shareholders should consult their own professional adviser in this regard.

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GRANT SAMUEL

7 Qualifications, Declarations and Consents

7.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 570 public independent expert and appraisal reports.

The person responsible for preparing this report on behalf of Grant Samuel is Stephen Cooper BCom (Hons) ACA. Stephen has a significant number of years of experience in relevant corporate advisory matters. David Szeleczky BCom (Hons) LLB (Hons), Serafina Fong BCom MFin and Alexandra Ioannou BCom assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

7.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Transaction is in the best interests of shareholders. Grant Samuel expressly disclaims any liability to any Village shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by Village and has not verified or approved any of the contents of the Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

7.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Village or BGH or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Transaction.

Grant Samuel had no part in the formulation of the Transaction. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $485,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Transaction. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

7.4 Declarations

Village has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Village has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Village are

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limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Village and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. In particular, subsequent to the provision of a draft full report to Village:

- Village announced that it would lose the exhibition distribution rights for Warner Bros. product with effect from 31 December 2020. As a result, Grant Samuel reduced its valuation of Village's Exhibition business by $10 million;
- in response to a request for information from Grant Samuel, Village advised Grant Samuel that a total of approximately $14.5 million of deferred creditors, which in the ordinary course of business would have been paid prior to 30 June 2020, remained outstanding at that date. For valuation purposes, Grant Samuel adjusted net borrowings as at 30 June 2020 to take into account these deferred creditors; and
- Village announced the deferral of the release of three relevant films, the consequence of which was that the Cinema Uplift of $0.08 per share would (almost certainly) not be payable. The Queensland State Government announced that it intended to open the Queensland/New South Wales border on (at earliest) 1 November 2020. Grant Samuel amended its assessment of the overall value of the contingent payments for both Structure A and Structure B by attributing no value to either the Cinema Uplift or the Border Uplift.

There was no alteration to the methodology, evaluation or conclusions set out in the report as a result of issuing the drafts.

7.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to shareholders of Village. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

7.6 Other

The accompanying letter dated 10 October 2020 forms part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

10 October 2020

Grant Samuel & Associates

APPENDIX 2

STRUCTURE A SCHEME

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Structure A Scheme of Arrangement

Village Roadshow Limited ABN 43 010 672 054

—

Scheme Shareholders

—

Level 23 Rialto Towers 525 Collins Street
Melbourne Vic 3000 Australia DX 204 Melbourne
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minterellison.com

MinterEllison

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Structure A - Scheme of Arrangement

Village Roadshow Limited ABN 43 010 672 054

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Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth).

Between the parties

Village Roadshow Limited ABN 43 010 672 054 of Level 1, 500 Chapel Street, South Yarra, VIC 3141 (**VRL**)

and

Each Scheme Shareholder

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Agreed terms

1. Defined terms & interpretation

1.1 Definitions

In this Scheme, unless the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691, or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

Australian Theatres Joint Venture means the joint venture established and operated pursuant to the joint venture agreement dated 26 May 1989, as varied from time to time, between Village Cinemas Australia Pty Ltd, The Greater Union Organisation Pty Ltd and Birch, Carroll & Coyle Limited.

Border Uplift Event means the event where:

(a) at 12 noon (Brisbane time) on 1 November 2020, there are no border control measures imposed by the Queensland Government prohibiting any person from New South Wales from entering Queensland; and

(b) at 12 noon (Brisbane time) on 15 November 2020, there are no border control measures imposed by the Queensland Government prohibiting any person from Victoria from entering Queensland.

BGH means BGH Capital Pty Ltd ACN 617 836 982.

BidCo means VRG Bidco Pty Limited ACN 642 862 422.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Victoria, Australia.

Cash Consideration means $2.20, unless:

(a) if the Cinema Uplift Event occurs but neither the Theme Parks Uplift Event nor the Border Uplift Event occurs, in which case it means $2.28;

(b) if the Theme Parks Uplift Event occurs, but neither the Cinema Uplift Event nor the Border Uplift Event occurs, in which case it means $2.32;

(c) if the Border Uplift Event occurs but neither the Cinema Uplift Event nor the Theme Park Uplift Event occurs, in which case it means $2.25;

(d) if both the Cinema Uplift Event and the Border Uplift Event occur, but the Theme Park Uplift Event does not occur, in which case it means $2.33;

(e) if both the Theme Park Uplift Event and the Border Uplift Event occur, but the Cinema Uplift Event does not occur, in which case it means $2.37;

(f) if both the Cinema Uplift Event and the Theme Parks Uplift Event occur, but the Border Uplift Event does not occur, in which case it means $2.40; or

(g) if all of the Cinema Uplift Event, the Theme Parks Uplift Event and the Border Uplift Event occur, in which case it means $2.45,

for each Scheme Share.

Cinema Business Locations means the cinema sites operated by:

(a) the VRL Group (including sites under the Australian Theatres Joint Venture); and

(b) each of The Greater Union Organisation Pty Ltd and Birch, Carroll & Coyle Limited under the Australian Theatres Joint Venture.

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Cinema Uplift Event means the event where:

(a) the majority of the Cinema Business Locations; and

(b) the Cinema Business Locations that have previously contributed to at least 75% of the revenue derived from the total Cinema Business Locations by reference to the financial year ended 30 June 2019 as specified in a list previously agreed by VRL and BidCo,

are open to the public for a period of 5 Business Days ending at 4pm on the day that is 11 days prior to the Proxy Cut-Off Date (disregarding temporary closures for cleaning or analogous purposes in accordance with the requirements of any Governmental Agency), and the relevant requirements of clause 5.3 of the Implementation Date have been met.

CHESS means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited ABN 49 008 504 532.

CHESS Holding has the meaning given in the Settlement Rules.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia (Victoria registry) or such other court of competent jurisdiction under the Corporations Act agreed in writing between VRL and VRC.

Deed Poll means the Structure A Scheme Deed Poll dated 7 October 2020 executed by VRL, VRC and HoldCo under which VRC and HoldCo among other things covenant in favour of the Scheme Shareholders to perform the actions attributed to them respectively under this Scheme.

Delivery Time means, in relation to the Second Court Date, two hours before the commencement of the hearing or, if the commencement of the hearing is adjourned, two hours before the commencement of the adjourned hearing, of the Court to approve this Scheme in accordance with section 411(4)(b) of the Corporations Act.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

Election means an election by a VRL Shareholder to receive either:

(a) in relation to 50% of their Scheme Shares, Scheme Consideration in the form of HoldCo Shares and in relation to the remainder of their Scheme Shares, Scheme Consideration in the form of cash (such Election, **Partial Election**); or

(b) in relation to 100% of their Scheme Shares, Scheme Consideration in the form of HoldCo Shares (such Election, **Maximum Election**).

Election Date means 5.00pm on the date that is seven clear days before the Proxy Cut-Off Date.

Election Form means a form issued by VRL for the purposes of a VRL Shareholder making an Election.

End Date means the 'End Date' determined in accordance with the Implementation Agreement.

Excluded Shareholder means:

(a) VRC; or

(b) a VRC Principal.

Foreign Scheme Shareholder means a Scheme Shareholder whose Registered Address is a place outside of:

(a) Australia or its external territories; and

(b) any other jurisdictions as may be agreed in writing by VRL and HoldCo,

(unless HoldCo determines (in its absolute discretion), that HoldCo is permitted to allot and issue HoldCo Shares to that Scheme Shareholder under this Scheme by the laws of that place either

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unconditionally or after compliance with conditions that HoldCo considers are not unduly onerous or impracticable).

Governmental Agency means, whether domestic or foreign, any government or representative of a state or federal government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister, ASIC, ASX, the Takeovers Panel, the Foreign Investment Review Board and any regulatory organisation established under statute or any stock exchange or financial market.

HoldCo means VRG Holdco Limited ACN 642 854 313.

HoldCo Share means an ordinary fully paid share in the capital of HoldCo issued on terms of issue including those set out in the HoldCo Shareholders' Deed.

HoldCo Shareholders' Deed means the document titled Shareholders' Deed in relation to HoldCo dated on or about 9 October 2020 between HoldCo, the BGH Shareholders, the Participating Shareholders and the Other Shareholders (in each case as defined in the HoldCo Shareholders' Deed).

Implementation Agreement means the Implementation Agreement dated 6 August 2020 between VRL, VRC, HoldCo and BidCo.

Implementation Date means the fifth Business Day after the Record Date or such other Business Day after the Record Date agreed to in writing between the relevant parties to the Implementation Agreement.

Issuer Sponsored Holding has the meaning given in the Settlement Rules.

Listing Rules means the official listing rules of ASX as amended from time to time.

Market Integrity Rules means any rules made by ASIC under section 798G of the Corporations Act that apply to ASX or any other prescribed financial market on which VRL Shares are quoted.

Nominee has the meaning given in the HoldCo Shareholders' Deed.

Nominee Deed has the meaning given in the HoldCo Shareholders' Deed.

Proxy Cut-Off Date means the last day on which proxies must be lodged for the Scheme Meeting.

Record Date means 7.00pm on the second Business Day after the Effective Date or such other time and date agreed to in writing between VRL and BidCo.

Registered Address means, in relation to a VRL Shareholder, the address shown in the Share Register as at the Record Date.

Regulatory Authority means:

(a) any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity;

(b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or

(c) any regulatory organisation established under statute,

in Australia whether federal, state, territorial or local.

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Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between VRL and the Scheme Shareholders, subject to any alterations or conditions that are:

(a) agreed to in writing by VRL, VRC and BidCo, and approved by the Court; or

(b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by VRL and BidCo,

but does not include the HoldCo Shareholders' Deed.

Scheme Consideration in respect of a Scheme Shareholder means:

(a) if:

(i) the Scheme Shareholder is not a Foreign Scheme Shareholder and has made a valid Election on or before the Election Date; and

(ii) the total number of Scheme Shares in respect of which Scheme Shareholders who are not Foreign Scheme Shareholders in aggregate have made valid Elections on or before the Election Date equals or exceeds the Share Floor but does not exceed the Share Cap,

then:

(iii) if the Scheme Shareholder has made a Partial Election then, subject to paragraphs (b) and (c):

(A) one HoldCo Share for each Scheme Share held by the Scheme Shareholder in accordance with the Scheme Shareholder's Election; and

(B) the Cash Consideration multiplied by every Scheme Share held by the Scheme Shareholder that is not covered by the Scheme Shareholder's Election; or

(iv) if the Scheme Shareholder has made a Maximum Election, then, subject to paragraphs (b) and (c), one HoldCo Share for each Scheme Share held by the Scheme Shareholder;

(b) if:

(i) the Scheme Shareholder is not a Foreign Scheme Shareholder and has made a valid Election on or before the Election Date; and

(ii) the total number of Scheme Shares in respect of which Scheme Shareholders who are not Foreign Scheme Shareholders in aggregate have made valid Elections exceeds the Share Cap,

then:

(iii) one HoldCo Share for the number of Scheme Shares calculated as:

$$(B/A) \times C,$$

where:

A = the number of Scheme Shares in respect of which Scheme Shareholders in aggregate have made valid Elections to receive HoldCo Shares on or before the Election Date;

B = the Share Cap; and

C = if the Scheme Shareholder:

(a) has made a Partial Election, the number of Scheme Shares in respect of which the Scheme Shareholder has made an Election to receive HoldCo Shares; or

(b) has made a Maximum Election, the number of Scheme Shares held by the Scheme Shareholder; and

(iv) the Cash Consideration for each of the Scheme Shares held by the Scheme Shareholder less the number of Scheme Shares held by the Scheme Shareholder in respect of which HoldCo Shares are to be issued as calculated in accordance with paragraph (b)(iii); or

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(c) if:

(i) the Scheme Shareholder is a Foreign Scheme Shareholder or has not made a valid Election on or before the Election Date; or

(ii) either:

(A) the total number of Scheme Shares in respect of which Scheme Shareholders who are not Foreign Scheme Shareholders in aggregate have made valid Elections to receive HoldCo Shares on or before the Election Date is less than the Share Floor; or

(B) Scheme Shareholders in aggregate have not made valid Elections to receive HoldCo Shares on or before the Election Date for any HoldCo Shares,

the Cash Consideration for every Scheme Share held by the Scheme Shareholder.

Scheme Meeting means the meeting of VRL Shareholders (other than Excluded Shareholders) ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Share means a Share on issue as at the Record Date other than any Share then held by an Excluded Shareholder.

Scheme Shareholder means a person who holds one or more Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Settlement Rules means the ASX Settlement Operating Rules.

Share Cap means 29,287,889 VRL Shares.

Share Floor means 9,762,630 VRL Shares.

Share Register means the register of members of VRL maintained in accordance with the Corporations Act.

Structure A Ancillary Agreements have the meaning given to that term in the Implementation Agreement.

Subscription Agreement has the meaning given to that term in the Implementation Agreement.

Theme Parks Uplift Event means an event where the Warner Bros. Movie World and Sea World theme parks are open to the public for a period of 5 Business Days ending at 4pm on the day that is 11 days prior to the Proxy Cut-Off Date (disregarding temporary closures for weather related events, cleaning or analogous purposes in accordance with the requirements of any Governmental Agency), and the relevant requirements of clause 5.3 of the Implementation Agreement have been met.

Trust Account means an Australian dollar denominated trust account operated by VRL as trustee for the benefit of Scheme Shareholders.

VRC means Village Roadshow Corporation Pty Ltd ABN 89 004 318 610.

VRC Principals means Robert Kirby, Graham Burke and John Kirby and includes a closely related party of any of them but does not include VRC.

VRL Registry means Computershare Investor Services Pty Ltd ACN 078 279 277 or any replacement provider of share registry services to VRL.

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VRL Share means an issued fully paid ordinary share in the capital of VRL.

VRL Shareholder means a person who is registered in the register maintained by VRL under section 168(1) of the Corporations Act as a holder of one or more VRL Shares.

VRL Shareholders' Deed has the meaning given to the term "Structure B Shareholders Agreement" in the Implementation Agreement.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

(a) The singular includes the plural, and the converse also applies.

(b) A gender includes all genders.

(c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.

(e) A reference to a clause or schedule is a reference to a clause of or schedule to this Scheme.

(f) A reference to an **agreement** or **document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes, except to the extent this Scheme expressly provides otherwise the recitals, schedules and annexures to that agreement or document.

(g) A reference to a party to this Scheme or an agreement or document includes the party's executors, administrators, successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).

(h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

(i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.

(j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.

(k) A reference to **dollars** or **$** is to Australian currency.

(l) All references to time are to Melbourne, Australia time.

(m) Mentioning anything after *includes*, *including*, *for example*, or similar expressions, does not limit what else might be included.

(n) A word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act.

(o) A reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity.

1.3 Business Day

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

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1.4 Listing requirements included as law

A listing rule or operating rule of a financial market and a Market Integrity Rule will be regarded as a law and a reference to legislation (as appropriate), and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. Preliminary

2.1 VRL

(a) VRL is a public company limited by shares, registered in Victoria and admitted to the official list of ASX.

(b) The VRL Shares are officially quoted on ASX. As at the date of the Implementation Agreement 195,252,595 VRL Shares were on issue which are officially quoted on ASX.

2.2 VRC and HoldCo

(a) VRC is a proprietary company limited by shares registered in Victoria.

(b) HoldCo is a public company limited by shares registered in Victoria.

(c) HoldCo is ultimately controlled by BGH and has been established for the purpose of the transactions under the Implementation Agreement. From the date of its incorporation to the date of the Implementation Agreement, HoldCo has not conducted any business and holds no material assets except for executing the Structure A Ancillary Agreements and the VRL Shareholders' Deed.

2.3 General

(a) VRL, VRC and HoldCo have agreed by executing the Implementation Agreement to implement this Scheme subject to the terms and conditions of this Scheme.

(b) This Scheme attributes actions to VRC and HoldCo but does not itself impose an obligation on them to perform those actions, as VRC and HoldCo are not a party to this Scheme. VRC and HoldCo have agreed, by executing the Deed Poll, to perform the actions attributed to them respectively under this Scheme (including the provision of the Scheme Consideration to the Scheme Shareholders subject to the terms and conditions of this Scheme) and (in the case of HoldCo) that it will procure that BidCo performs the obligations contemplated of it under the Structure A Ancillary Agreements.

2.4 Consequence of this Scheme becoming Effective

If this Scheme becomes Effective:

(a) HoldCo will provide or procure the provision of the component of the Scheme Consideration that comprises HoldCo Shares to Scheme Shareholders in accordance with this Scheme;

(b) subject to BidCo complying with its obligations under the Subscription Agreement (which HoldCo will procure), VRC will provide or procure the provision of the component of the Scheme Consideration that comprises Cash Consideration in accordance with this Scheme; and

(c) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to VRC, and VRL will enter VRC in the Share Register as the holder of the Scheme Shares with the result that VRL will become a wholly-owned subsidiary of VRC.

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3. Conditions

(a) This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(i) all the conditions precedent in clause 3.1 of the Implementation Agreement (other than the condition in clause 3.1(i) of the Implementation Agreement (Court approval)) having been satisfied or waived in accordance with the terms of the Implementation Agreement by no later than the Delivery Time on the Second Court Date;

(ii) neither the Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms by no later than the Delivery Time on the Second Court Date;

(iii) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are agreed to in writing by VRL and VRC;

(iv) such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are agreed to in writing by VRL, VRC and HoldCo, having been satisfied; and

(v) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to section 411(10) of the Corporations Act, on or before the End Date (or any later date VRL, VRC and HoldCo agree in writing).

(b) The satisfaction of the conditions referred to in clause 3(a) of this document is a condition precedent to the operation of clauses 4.2 and 5.

4. Implementation

4.1 Lodgement of Court orders

Subject to the Listing Rules, VRL must lodge with ASIC office copies of any Court orders under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme as soon as reasonably practicable after the Court approves this Scheme and in any event no later than by 5.00pm on the first Business Day after the Court approves this Scheme.

4.2 Transfer of Scheme Shares

On the Implementation Date:

(a) subject to:

(i) the payment by VRL of the cash component of the Scheme Consideration in the manner contemplated by clause 5.4(d); and

(ii) HoldCo confirming in writing to VRL by no later than 12 noon (or such later time as HoldCo and VRL may agree) on the Implementation Date that the HoldCo Shares component of the Scheme Consideration (if any) has been provided in the manner contemplated by clause 5.4(c),

the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to VRC, without the need for any further act by any Scheme Shareholder (other than acts performed by VRL or its officers as agent and attorney of the Scheme Shareholders under clause 8.6 or otherwise), by:

(iii) VRL delivering to VRC a duly completed and executed share transfer form to transfer all the Scheme Shares to VRC, executed on behalf of the Scheme Shareholders by VRL; and

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(iv) VRC duly executing such transfer form and delivering it to VRL for registration; and

(b) immediately after receipt of the transfer form in accordance with clause 4.2(a)(iv), VRL must enter, or procure the entry of, the name of VRC in the Share Register in respect of the Scheme Shares transferred to VRC in accordance with this Scheme.

5. Scheme Consideration

5.1 Amount of Scheme Consideration

Each Scheme Shareholder is entitled to receive the Scheme Consideration.

5.2 Election procedure

(a) Each VRL Shareholder other than an Excluded Shareholder or Foreign Scheme Shareholder will be entitled to make an Election. All Elections will take effect in accordance with this Scheme to the extent that any VRL Shareholder who makes an Election qualifies as a Scheme Shareholder.

(b) A VRL Shareholder which makes an Election may vary, withdraw or revoke that Election by lodging a replacement Election Form, subject to that replacement Election Form being received on or before the Election Date.

(c) An Election must be made in accordance with the terms and conditions of the Election Form and this clause 5.2, and an Election not so made will not be a valid election for the purpose of this Scheme and will not be recognised by VRC or VRL for any purpose (provided that VRC may, with the agreement of VRL, waive this requirement and may, with the agreement of VRL, settle as it thinks fit any difficulty, matter of interpretation or dispute which may arise in connection with determining the validity of any Election, and any such decision will be conclusive and binding on VRC, VRL and the relevant Scheme Shareholder).

(d) Clause 5.3 will apply to any VRL Shareholder who purports to make an Election but who qualifies as a Foreign Scheme Shareholder.

(e) Subject to clause 5.2(f), if a VRL Shareholder makes a valid Election, that Election will be deemed to apply in respect of the VRL Shareholder's registered holding of VRL Shares at the Record Date, regardless of whether the VRL Shareholder's holding of VRL Shares at the Record Date is greater or less than the VRL Shareholder's holding at the time it made its Election.

(f) A VRL Shareholder who is noted on the Share Register as holding one or more parcels of VRL Shares as trustee or nominee for, or otherwise on account of, another person, may make separate Elections under this clause 5.2 in relation to each of those parcels of VRL Shares (subject to it providing to VRC and VRL any substantiating information they reasonably require), and if it does so it will be treated as a separate VRL Shareholder in respect of each such parcel in respect of which a separate Election is made (and in respect of any balance of its holding), provided that if, at the Record Date, it holds fewer VRL Shares than it held at the time it made the Election, then, unless it has at the time of any sale of VRL Shares notified VRL whether the VRL Shares sold relate to any such separate Election (and if so which separate Election the VRL Shares sold relate to), it will be treated as not having made a valid Election in respect of any of its VRL Shares (or will be treated in any other manner that VRC and VRL agree is fair to the VRL Shareholder in all the circumstances acting reasonably).

5.3 Foreign Scheme Shareholders

HoldCo will be under no obligation to issue, and must not issue, any HoldCo Shares under the Scheme to Foreign Scheme Shareholders.

5.4 Provision of Scheme Consideration

(a) The obligation of VRC to provide the Cash Consideration under this Scheme and the Deed Poll will be satisfied by VRC, no later than the Business Day before the Implementation Date, depositing in cleared funds into the Trust Account an amount equal to the aggregate amount of the Cash Consideration payable to Scheme Shareholders who

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are entitled to the Cash Consideration under this Scheme, such amount to be held by VRL on trust for the Scheme Shareholders and for the purpose of sending the aggregate amount of the Cash Consideration to the Scheme Shareholders (except that any interest on the amount will be for the account of VRC).

(b) VRC's obligation under clause 5.4(a) will be subject to BidCo complying with its obligations under the Subscription Agreement (which HoldCo will procure).

(c) HoldCo must before 12 noon (or such later time as HoldCo and VRL may agree) on the Implementation Date procure that, at HoldCo's absolute discretion, either:

(i) the name of each Scheme Shareholder (if any) entitled to receive HoldCo Shares under this Scheme is entered in HoldCo's register of members as the holder of those HoldCo Shares (having the same holding name and address and other details as the holding of the relevant Scheme Shares); or

(ii) the name of the Nominee is entered in HoldCo's register of members as the holder of those HoldCo Shares, pursuant to and in accordance with the HoldCo Shareholders' Deed for the Nominee to hold on bare trust for the Scheme Shareholders or a trustee, who will in turn hold the HoldCo Shares on bare trust for the Scheme Shareholders, with the trust arrangements being in accordance with the HoldCo Shareholders' Deed and the Nominee Deed (such that the Scheme Shareholders will be beneficial holders but not the legal holders of the HoldCo Shares).

(d) On the Implementation Date and subject to funds having been deposited in accordance with clause 5.4(a), VRL must pay or procure the payment of the Cash Consideration to each Scheme Shareholder who is entitled to the Cash Consideration under this Scheme from the Trust Account by doing any of the following at its election:

(i) sending (or procuring the VRL Registry to send) it to the Scheme Shareholder's Registered Address by cheque (in the name of that Scheme Shareholder) in Australian currency drawn out of the Trust Account; or

(ii) depositing (or procuring the VRL Registry to deposit) it into an account with any Australian ADI (as defined in the Corporations Act) notified to VRL (or the VRL Registry) by an appropriate authority from the Scheme Shareholder.

(e) In the event that:

(i) a Scheme Shareholder does not have a Registered Address and no account has been notified in accordance with clause 5.4(d)(ii) or a deposit into such an account is rejected or refunded; or

(ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.8(a),

VRL as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of VRL (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with under the *Unclaimed Money Act 2008* (Vic). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with under *Unclaimed Money Act 2008* (Vic). Until such time as the amount is dealt with under *Unclaimed Money Act 2008* (Vic), VRL must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of VRC. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Shareholder when credited to the Separate Account or Trust Account (as applicable). VRL must maintain records of the amounts paid, the people who are entitled to the amount and any transfers of the amounts.

(f) On or before the date that is five Business Days after the Implementation Date, HoldCo must send or procure the sending of a certificate to each Scheme Shareholder entitled to

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receive HoldCo Shares under this Scheme or the Nominee, reflecting the issue of such HoldCo Shares.

(g) To the extent that, following satisfaction of VRL's obligations under clause 5.2(d), there is a surplus in the amount held in the Trust Account, that surplus may be paid by VRL to VRC.

5.5 Foreign resident capital gains withholding

(a) If VRC determines, having regard to legal advice, that VRC or HoldCo are either:

(i) required by law to withhold any amount from a payment or an issue of HoldCo Shares (or a combination) to a Scheme Shareholder; or

(ii) liable to pay an amount to the Commissioner of Taxation under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of Scheme Shares from a Scheme Shareholder,

(either of the above being the **Relevant Amount**),

then VRC or HoldCo (as applicable) is entitled to:

(iii) withhold the Relevant Amount before making the payment or issuing the HoldCo Shares to the Scheme Shareholder (as applicable); and

(iv) where the Scheme Consideration consist of only HoldCo Shares (i.e. there is no Cash Consideration), or where paragraph (b) of the definition of "Scheme Consideration" applies and the application of clause 5.5(a)(ii) does not fully satisfy the Relevant Amount, reduce the number of HoldCo Shares issued by a number calculated by the following factor, RA/VS, rounded up to the nearest whole number of HoldCo Shares, where:

(A) RA means the Relevant Amount or the amount of the Relevant Amount not satisfied after the application of clause 5.5(a)(ii); and

(B) VS means the value (as reasonably assessed by HoldCo) of one HoldCo Share; and

(v) where the Scheme Consideration is a combination of Cash Consideration and HoldCo Shares, first withhold the Relevant Amount from any Cash Consideration,

and payment of the reduced amount or issue of the reduced number of HoldCo Shares (or a combination) and payment of the Relevant Amount to the relevant taxation authority pursuant to clause (b) shall be taken to be full payment of the Relevant Amount for the purposes of this Scheme, including clause 5.4.

(b) VRC or HoldCo must pay any Relevant Amount so withheld to the relevant taxation authority within the time permitted by law, and, if requested in writing by the relevant Scheme Shareholder, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment to the relevant Scheme Shareholder.

5.6 Joint holders

In the case of Scheme Shares held in joint names:

(a) any HoldCo Shares comprised in the Scheme Consideration are to be registered in the names of the joint holders or, if these HoldCo Shares are issued to the Nominee to hold as bare trustee for the joint holders, the joint holders will have joint beneficial ownership of those HoldCo Shares;

(b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent at the sole discretion of VRL, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders; and

(c) any other document required to be sent under this Scheme, will be forwarded, at the sole discretion of VRL, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders.

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5.7 Fractional entitlements

Where the calculation of the Scheme Consideration to be provided to a Scheme Shareholder (or Nominee on behalf of a Scheme Shareholder) would result in the Scheme Shareholder becoming entitled to a fraction of a cent or a fraction of a HoldCo Share, that fractional entitlement will be rounded down to the nearest whole cent or HoldCo Share as the case may be.

5.8 Unclaimed monies

(a) VRL may cancel a cheque sent under this clause 5 if the cheque:

(i) is returned to VRL; or

(ii) has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of 11 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to VRL (or the Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), VRL must reissue a cheque that was previously cancelled under clause 5.8(a).

(c) The *Unclaimed Money Act 2008* (Vic) will apply in relation to any Scheme Consideration which becomes "unclaimed money" (as defined in section 3 of the *Unclaimed Moneys Act 2008* (Vic)).

(d) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of VRC.

5.9 Status of HoldCo Shares

Subject to this Scheme becoming Effective, HoldCo must:

(a) issue (or procure the issue of) the HoldCo Shares required to be issued under this Scheme on terms such that each such HoldCo Share will rank equally in all respects with each other HoldCo Share then on issue; and

(b) ensure that each HoldCo Share required to be issued under this Scheme is duly issued and is fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under the constitution of HoldCo or any security interest under the Subscription Agreement).

5.10 Order of a court or Regulatory Authority

If:

(a) written notice is given to VRL (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by VRL in accordance with this clause 5, then VRL may procure that payment is made in accordance with that order or direction; or

(b) written notice is given to VRL (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that prevents VRL from making a payment to any particular Scheme Shareholder in accordance with clause 5.4(d), or such payment is otherwise prohibited by applicable law, VRL may retain an amount equal to the number of Scheme Shares held by that Scheme Shareholder for which Cash Consideration is payable multiplied by the applicable Cash Consideration to be paid as a portion of the Scheme Consideration until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law,

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and the payment or retention by VRL (or the Share Registry) will constitute the full discharge of VRL's obligations under clause 5.4(d) with respect of the amount so paid or retained until, in the case of clause 5.10(b), it is no longer required to be retained.

5.11 Definition of *sending*

For the purposes of clause 5, the expression *sending* means, in relation to each Scheme Shareholder:

(a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Shareholder as at the Record Date; or

(b) delivery to the Registered Address of that Scheme Shareholder as at the Record Date by any other means at no cost to the recipient.

6. Dealings in VRL Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in VRL Shares or other alterations to the Share Register will only be recognised if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant VRL Shares on or before 7.00pm on the Record Date; and

(b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before 5.00pm on the day on which the Record Date occurs at the place where the Share Register is kept,

and VRL will not accept for registration, nor recognise for any purpose (except a transfer to VRC under this Scheme and any subsequent transfer by VRC or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2 Register

(a) (**Registration of transfers**) VRL must register registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by or as soon as reasonably practicable after the Record Date (provided that for the avoidance of doubt nothing in this clause 6.2 requires VRL to register a transfer that would result in a VRL Shareholder holding a parcel of VRL Shares that is less than a 'marketable parcel' (as defined in the Settlement Rules)).

(b) (**No registration after Record Date**) VRL will not accept for registration or recognise for any purpose any transmission application or transfer in respect of VRL Shares received after 5.00pm on the day on which the Record Date occurs, other than to VRC in accordance with this Scheme and any subsequent transfer by VRC or its successors in title.

(c) (**Maintenance of Share Register**) For the purpose of determining entitlements to the Scheme Consideration, VRL must maintain the Share Register in accordance with the provisions of this clause until the Scheme Consideration has been delivered to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

(d) (**No disposal after Record Date**) From the Record Date until registration of VRC in respect of all Scheme Shares under clause 4, no VRL Shareholder (other than Excluded Shareholders) may dispose or otherwise deal with VRL Shares (or purport to do so) in any way except as set out in this Scheme and any attempt to do so will have no effect and VRL shall be entitled to disregard any such disposal or dealing.

(e) (**Statements of holding from Record Date**) All statements of holding for VRL Shares will cease to have effect from the Record Date as documents of title in respect of those shares (other than statements of holding in favour of any Excluded Shareholders). As from the

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Record Date, each entry current at that date on the Share Register (other than entries in respect of any Excluded Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the VRL Shares relating to that entry.

(f) (**Provision of Scheme Shareholder details**) As soon as practicable on or after the Record Date and in any event within one Business Day after the Record Date, VRL will ensure that details of the names, Registered Addresses and holdings of VRL Shares for each Scheme Shareholder are available to VRC in the form VRC reasonably requires.

7. Suspension and delisting

(a) VRL will apply to ASX to suspend trading on the ASX in VRL Shares with effect from the close of trading on the Effective Date.

(b) On a date after the Implementation Date to be determined by VRC, and to take effect only after the transfer of the Scheme Shares has been registered in accordance with clause 4.2(b), VRL will apply:

(i) for termination of the official quotation of VRL Shares on ASX; and

(ii) to have itself removed from the official list of ASX.

8. General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

(a) VRL may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which BidCo has consented in writing; and

(b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for VRL has consented.

8.2 Binding effect of Scheme

This Scheme binds VRL and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of VRL.

8.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder:

(a) agrees to the transfer of their VRL Shares together with all rights and entitlements attaching to those VRL Shares in accordance with this Scheme;

(b) who holds their Shares in a CHESS Holding agrees to the conversion of those Shares to an Issuer Sponsored Holding and irrevocably authorises VRL to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion;

(c) agrees to any variation, cancellation or modification of the rights attached to their VRL Shares constituted by or resulting from this Scheme;

(d) agrees to, on the direction of VRC, destroy any holding statements or share certificates relating to their VRL Shares;

(e) to the extent they are to receive HoldCo Shares as a component of the Scheme Consideration to which they are entitled, agrees to become a shareholder of HoldCo, have, subject to clause 8.3(f), their name and address entered in HoldCo's register of members (and other details as the holding of the relevant Scheme Shares), and to be bound by its constitution and the HoldCo Shareholders' Deed;

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(f) to the extent they are to receive HoldCo Shares as a component of the Scheme Consideration to which they are entitled and the HoldCo Shares are issued to the Nominee to hold as bare trustee for them or a trustee, who will in turn hold as bare trustee for them, (with the trust arrangements being in accordance with the HoldCo Shareholders Deed' and the Nominee Deed) agrees to be bound by the HoldCo Shareholders' Deed and the Nominee Deed; and

(g) acknowledges and agrees that this Scheme binds VRL and all Scheme Shareholders (including those who did not attend the Scheme Meeting or did not vote at that meeting or voted against this Scheme at that Scheme Meeting).

8.4 Warranties by Scheme Shareholders

(a) Each Scheme Shareholder is deemed to have warranted to VRL, in its own right and for the benefit of VRC, that as at the Implementation Date:

(i) all of its VRL Shares which are transferred to VRC under this Scheme, including any rights and entitlements attaching to those VRL Shares, will, at the time of transfer, be free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;

(ii) all of its VRL Shares which are transferred to VRC under this Scheme will, on the date on which they are transferred to VRC, be fully paid;

(iii) it has full power and capacity to transfer its VRL Shares to VRC together with any rights attaching to those shares; and

(iv) it has no existing right to be issued any VRL Shares, options exercisable into VRL shares, VRL convertible notes or any other VRL securities.

(b) VRL undertakes that it will provide the warranties in clause 8.4(a) to VRC as agent and attorney of each Scheme Shareholder.

8.5 Title to and rights in Scheme Shares

(a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attached to Scheme Shares) transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.

(b) On and from the Implementation Date, subject to the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.4(c) and 5.4(d), VRC will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by VRL of VRC in the Share Register as the holder of the Scheme Shares.

8.6 Authority given to VRL

(a) Scheme Shareholders will be deemed to have authorised VRL to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Scheme, including executing and delivering, as agent and attorney of each Scheme Shareholder:

(i) a share transfer or transfers in relation to Scheme Shares as contemplated by clause 4.2;

(ii) any deed or document required by VRL, VRC or HoldCo that causes each Scheme Shareholder entitled to HoldCo Shares to be bound by the HoldCo Shareholders' Deed, the Nominee Deed and constitution of HoldCo;

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(iii) if the aggregate of:

(A) the total number of holders of HoldCo Shares; and

(B) the total number of expected holders of other classes of shares in HoldCo,

would, in VRC's reasonable opinion, exceed 50, any transfer of HoldCo Shares issued to a Scheme Shareholder to the Nominee as deemed necessary by HoldCo for the Nominee to hold on bare trust in accordance with the HoldCo Shareholders' Deed and the Nominee Deed (such that the Scheme Shareholders affected by such transfer will be beneficial holders but not the legal holders of the HoldCo Shares); and

(iv) any deed or document required by VRL, VRC or HoldCo that causes each Scheme Shareholder issued HoldCo Shares under this Scheme to be bound by the constituent documents of any trust for the Scheme Shareholder referred to in clause 8.6(a)(iii).

(b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints VRL and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:

(i) on the Effective Date, enforcing the Deed Poll against VRC and HoldCo and VRL accepts such appointment; and

(ii) on the Implementation Date, executing any document necessary to give effect to this Scheme including, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares and VRL accepts such appointment.

8.7 Appointment of sole proxy

Immediately after the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.4(c) and 5.4(d) until VRL registers VRC as the holder of all VRL Shares in the Share Register, each Scheme Shareholder:

(a) is deemed to have irrevocably appointed VRC as its attorney and agent (and directed VRC in such capacity) to appoint an officer or agent nominated by VRC as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of VRL, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders' resolution;

(b) undertakes not to otherwise attend Shareholders' meetings, exercise the votes attaching to Scheme Shares registered in their names or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to clause 8.7(a);

(c) must take all other actions in the capacity of a registered holder of Scheme Shares as VRC reasonably directs; and

(d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), VRC and any officer or agent nominated by VRC under clause 8.7(a) may act in the best interests of VRC as the intended registered holder of the Scheme Shares.

8.8 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications or elections by a Scheme Shareholder to VRL binding or deemed binding between the Scheme Shareholder and VRL relating to VRL or VRL Shares (including any email addresses, instructions relating to communications from VRL, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from VRL) will be deemed from the Implementation Date (except to the extent determined otherwise by VRC and HoldCo (as applicable) and in their sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to VRC and HoldCo (as applicable), and will be accepted by VRC and HoldCo (as applicable) until that instruction, notification or election is revoked or amended in writing addressed to VRC or Holdco (as applicable) at the relevant registry, provided that any such instructions or notifications accepted by HoldCo will apply to and in respect of the issue of HoldCo Shares as part of the Scheme

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Consideration only to the extent that they are not inconsistent with the other provisions of the Scheme.

9. General

9.1 Stamp duty

VRC must pay all stamp duty payable in connection with the transfer of the Scheme Shares to VRC pursuant to this Scheme.

9.2 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to VRL, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at VRL's registered office or at the office of the VRL Registry.

(b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.3 Further assurances

(a) VRL must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.

(b) Each Scheme Shareholder consents to VRL doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

9.4 Governing law and jurisdiction

(a) This Scheme is governed by the laws of Victoria.

(b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

9.5 No liability when acting in good faith

None of VRC, BidCo or HoldCo, nor any of their respective directors, officers, secretaries or employees, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

APPENDIX 3

STRUCTURE A SCHEME DEED POLL

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Execution version

Structure A deed poll

—

Village Roadshow Corporation Pty Ltd (**VRC**)
VRG Holdco Limited (**HoldCo**)
Village Roadshow Limited (**VRL**)

—

Level 23 Rialto Towers 525 Collins Street
Melbourne Vic 3000 Australia DX 204 Melbourne
T +61 3 8608 2000 F +61 3 8608 1000
minterellison.com

MinterEllison

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Details

Date 7 October 2020

Parties

Name	**Village Roadshow Corporation Pty Ltd**
ACN	004 318 610
Short form name	**VRC**
Notice details	Level 18, 530 Collins Street, Melbourne VIC 3000 Email: sean_morcom@roadshow.com.au Attention: Sean Morcom

Name	**VRG Holdco Limited**
ACN	642 54 313
Short form name	**HoldCo**
Notice details	Level 26, 101 Collins Street, Melbourne, Vic 3000 Email: BGray@bghcapital.com and Hmorfis@bghcapital.com Attention: Ben Gray and Hari Morfis

Name	**Village Roadshow Limited**
ABN	43 010 672 054
Short form name	**VRL**
Notice details	Level 1, 500 Chapel Street, South Yarra, Vic 3141 Email: Simon_Phillipson@vrl.com.au Attention: Mr Simon Phillipson

Background

A On 6 August 2020, VRL, VRC, BidCo and HoldCo entered into the Implementation Agreement to provide for (among other matters) the implementation of the Structure A Scheme.

B The effect of the Structure A Scheme will be to transfer all Structure A Scheme Shares to VRC in return for the Structure A Scheme Consideration.

C VRC and HoldCo enter this deed poll to covenant in favour of Structure A Scheme Shareholders to:

(i) perform the actions attributed to them respectively under the Structure A Scheme; and

(ii) provide the Structure A Scheme Consideration in accordance with the Structure A Scheme.

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Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this document:

BidCo means VRG Bidco Pty Limited ACN 642 862 422.

Cash Consideration has the meaning given in the Structure A Scheme.

Implementation Agreement means the Implementation Agreement dated 6 August 2020 between VRL, VRC, BidCo and HoldCo.

Nominee has the meaning given in the Structure A Scheme.

Nominee Deed has the meaning given in the Structure A Scheme.

VRL means Village Roadshow Limited ABN 43 010 672 054 as trustee for the Scheme Shareholders.

Trust Account has the meaning given in the Structure A Scheme.

1.2 Terms defined in Implementation Agreement

Words and phrases defined in the Implementation Agreement have the same meaning in this deed poll unless the context requires otherwise.

1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3 and 1.4 of the Implementation Agreement form part of this deed poll as if set out at length in this deed poll but with *deed poll* substituted for *deed* and with any reference to *party* being taken to include the Structure A Scheme Shareholders.

2. Nature of this deed poll

Each of VRC and HoldCo agree that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Structure A Scheme Shareholders are not a party to it.

3. Conditions

3.1 Conditions

Each of VRC's, and HoldCo's obligations under this deed poll are subject to the Structure A Scheme becoming Effective.

3.2 Termination

This deed poll and the obligations of VRC and HoldCo under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

(a) the Implementation Agreement is terminated in accordance with its terms;

(b) the Structure B Scheme becomes Effective; or

(c) the Structure A Scheme is not Effective on or before the End Date or any later date as the Court, with the consent of BidCo, VRC and VRL, may order,

unless VRL, VRC and BidCo otherwise agree in writing.

3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to them:

(a) VRC and HoldCo are released from their obligations to further perform this deed poll; and

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(b) each Structure A Scheme Shareholder retains the rights they have against VRC and HoldCo in respect of any breach of this deed poll which occurred before it terminated.

4. Performance of obligations

4.1 Generally

Subject to clause 3, VRC and HoldCo covenant in favour of Structure A Scheme Shareholders to perform the actions attributed to them respectively under, and otherwise comply with, the Structure A Scheme as if VRC and HoldCo were parties to the Structure A Scheme.

4.2 Provision of Scheme Consideration

(a) Subject to clause 3, each of VRC and HoldCo undertakes in favour of each Structure A Scheme Shareholder to provide or procure the provision of the Structure A Scheme Consideration to each Structure A Scheme Shareholder in accordance with the terms of the Structure A Scheme.

(b) The obligations of VRC and HoldCo under clause 4.2(a) will be satisfied if, in respect of the Structure A Scheme Consideration:

(i) VRC deposits, no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Cash Consideration payable to Structure A Scheme Shareholders who are entitled to the Cash Consideration under the Structure A Scheme in cleared funds to the Trust Account;

(ii) no later than 12.00 noon (or such later time as VRC and VRL may agree) on the Implementation Date, VRC and HoldCo procures that, at VRC's and HoldCo's absolute discretion, either:

(A) the name of each Scheme Shareholder (if any) entitled to receive HoldCo Shares under the Structure A Scheme is entered in HoldCo's register of members as the holder of those HoldCo Shares (having the same holding name and address and other details as the holding of the relevant Scheme Shares) and HoldCo provides VRL with written confirmation that HoldCo has done so; or

(B) the name of the Nominee is entered in HoldCo's register of members as the holder of those HoldCo Shares, pursuant to and in accordance with the HoldCo Shareholders' Deed for the Nominee to hold on bare trust for the Scheme Shareholders or a trustee, who will in turn hold the HoldCo Shares on bare trust for the Scheme Shareholders, with the trust arrangements being in accordance with the HoldCo Shareholders' Deed and the Nominee Deed (such that the Scheme Shareholders will be beneficial holders but not the legal holders of the HoldCo Shares); and

(iii) on or before the date that is five Business Days after the Implementation Date, HoldCo sends or procures the sending of a certificate to each Structure A Scheme Shareholder entitled to receive HoldCo Shares under the Structure A Scheme or the Nominee, reflecting the issue of such HoldCo Shares,

in each case, in accordance with, and subject to, the provisions of the Structure A Scheme.

5. Warranties

Each of VRC and HoldCo represents and warrants to each Structure A Scheme Shareholder that:

(a) (**status**) it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;

(b) (**power**) it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

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(c) (**corporate authorisations**) it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;

(d) (**documents binding**) this deed poll is its valid and binding obligation enforceable in accordance with its terms;

(e) (**transactions permitted**) the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:

(i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;

(ii) its constitution or other constituent documents; or

(iii) any other document which is binding on it or its assets; and

(f) (**solvency**) it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

6. Continuing Obligations

6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

(a) all of VRC and HoldCo having fully performed their respective obligations under this deed poll; and

(b) termination of this deed poll under clause 3.2.

6.2 Variation

A provision of this deed poll may not be varied unless:

(a) before the Second Court Date, the variation is agreed to in writing by VRL; or

(b) on or after the Second Court Date, the variation is agreed to in writing by VRL and is approved by the Court,

in which event VRC and HoldCo will enter into a further deed poll in favour of each Structure A Scheme Shareholder giving effect to the amendment.

7. Notices

Any notice, demand or other communication (a **Notice**) to VRC, and/or HoldCo in respect of this deed poll:

(a) must be in writing and signed by the sender or a person duly authorised by it;

(b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, email or to the address or email address specified in the Details;

(c) will be conclusively taken to be duly given or made:

(i) (**in the case of delivery in hand**), when delivered at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or is made after 5.00pm on a Business Day, in which case that Notice will be deemed to be received at 9.00am on the next Business Day;

(ii) (**in the case of delivery by post**), on the third Business Days after the date of posting (if posted to an address within Australia) or the fifth Business Days after the date of posting (if posted to an address outside Australia); or

(iii) (**in the case of email**), on the earlier of:

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(A) when the sending party's email system confirms delivery of the email by way of a delivery notification; or

(B) when the recipient party confirms receipt to the sending party via email or telephone.

8. General Provisions

8.1 Assignment

(a) The rights and obligations of VRC, HoldCo, VRL and each Structure A Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of VRC, HoldCo and VRL.

(b) Any purported dealing in contravention of clause 8.1(a) is invalid.

8.2 Cumulative rights

The rights, powers and remedies of VRC, HoldCo, VRL and each Structure A Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

8.3 No waiver

(a) Neither VRC or HoldCo may rely on the words or conduct of any Structure A Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Structure A Scheme Shareholder granting the waiver.

(b) If a Structure A Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.

(c) No Structure A Scheme Shareholder may rely on words or conduct of either VRC or HoldCo as a waiver of any right unless the waiver is in writing and signed by VRC or HoldCo, as appropriate.

(d) The meanings of the terms used in this clause 8.4 are set out below.

conduct includes delay in the exercise of a right.

right means any right arising under or in connection with this deed poll and includes the right to rely on this clause.

waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

8.4 Stamp duty

VRC:

(a) must pay or procure the payment of all stamp duty (if any) any related fines, penalties and interest in respect of the Structure A Scheme and this deed poll (including the acquisition or transfer of Structure A Scheme Shares pursuant to the Structure A Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Structure A Scheme and this deed poll; and

(b) indemnify and undertake to keep indemnified each Structure A Scheme Shareholder against any liability arising from a failure to comply with clause 8.4(a).

8.5 Further assurances

VRC and HoldCo will, at their own expense, do all things reasonably required of it to give full effect to this deed poll.

8.6 Governing law and jurisdiction

This deed poll is governed by the laws of the State of Victoria. In relation to it and related non-contractual matters VRC and HoldCo irrevocably:

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(a) submit to the non-exclusive jurisdiction of courts with jurisdiction there; and

(b) waive any right to object to the venue on any ground.

8.7 Counterparts

(a) This deed poll may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the agreement of each party who has executed and delivered that counterpart. Each counterpart is an original but the counterparts together are one and the same agreement.

(b) This deed poll is binding on the parties on the exchange of duly executed counterparts.

(c) The parties agree that a copy of an original executed counterpart sent by email to the other party, instead of the original, is sufficient evidence of the execution of the original and may be produced in evidence for all purposes in place of the original.

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Signing page

EXECUTED and delivered as a deed poll.

Executed by **Village Roadshow Limited** in accordance with Section 127 of the *Corporations Act 2001*

Signature of director	Signature of ~~director~~/company secretary (Please delete as applicable)
Julie Raffe	Simon Phillipson
Name of director (print)	Name of ~~director~~/company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

Executed by **Village Roadshow Corporation Pty Ltd** in accordance with Section 127 of the *Corporations Act 2001*

Signature of director	Signature of director/company secretary (Please delete as applicable)
Name of director (print)	Name of director/company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

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Signing page

EXECUTED and delivered as a deed poll.

Executed by **Village Roadshow Limited** in accordance with Section 127 of the *Corporations Act 2001*

Signature of director	Signature of director/company secretary (Please delete as applicable)
Name of director (print)	Name of director/company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

Executed by **Village Roadshow Corporation Pty Ltd** in accordance with Section 127 of the *Corporations Act 2001*

Signature of director	Signature of ~~director~~/company secretary (Please delete as applicable)
Graham Burke	Sean Morcom
Name of director (print)	Name of ~~director~~/company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

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Executed by **VRG Holdco Limited** in accordance with Section 127 of the *Corporations Act 2001*

Signature of director	Signature of director/~~company secretary~~ (Please delete as applicable)
BEN GRAY	STEPHANIE CHARLES
Name of director (print)	Name of director/~~company secretary~~ (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

APPENDIX 4

NOTICE OF STRUCTURE A SCHEME MEETING

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Appendix 4 – Notice of Structure A Scheme Meeting

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VILLAGE ROADSHOW LIMITED

ACN 010 672 054

NOTICE OF COURT ORDERED MEETING OF VILLAGE ROADSHOW LIMITED SHAREHOLDERS

Notice is given that, by an Order of the Federal Court of Australia (**Court**) made on 9 October 2020 under section 411(1) of the Corporations Act, the Court has directed that a meeting of the holders of fully paid ordinary shares of VRL (other than Structure A Excluded Shareholders) be held virtually (online only) at 11.00am (Melbourne time) on 26 November 2020.

The Court has also directed that Peter Tonagh or, if he is unable or unwilling to participate in the virtual (online only) meeting, Jennifer Fox Gambrell, act as Chairperson of the meeting.

PURPOSE OF THE MEETING

The purpose of the meeting is to consider and, if thought fit, to agree (with or without any alterations or conditions agreed to in writing between VRL, VRC and BidCo or any alterations or conditions required by the Court to which VRL, VRC and BidCo agree) to a scheme of arrangement proposed to be made between VRL and the holders of its ordinary shares (other than Structure A Excluded Shareholders) (**Structure A Scheme**).

A copy of the Structure A Scheme and a copy of the Explanatory Statement required by section 412 of the Corporations Act in relation to the Structure A Scheme are contained in the Scheme Booklet of which this notice forms part.

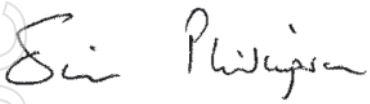
RESOLUTION

The meeting will be asked to consider and, if thought fit, pass the following resolution:

*That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the members agree to the arrangement proposed between VRL and the holders of its fully paid ordinary shares (other than Excluded Shareholders), designated the **Structure A Scheme**, as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and the Board of Directors of VRL is authorised to implement the Structure A Scheme with any such alterations or conditions.*

DATED 12 OCTOBER 2020

BY ORDER OF THE COURT



Simon Phillipson
Company Secretary

Explanatory notes for the Structure A Scheme Meeting

1. General

a. Capitalised words and phrases contained in this Notice of Meeting (including the proposed resolution) have the same meaning as set out in the Glossary in Section 13 of the Scheme Booklet, of which this notice forms part.

b. This notice should be read in conjunction with the entire Scheme Booklet of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the proposed resolution. The Scheme Booklet includes a copy of the Structure A Scheme (refer Appendix 2) and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Structure A Scheme (the explanatory statement being all Sections of this Scheme Booklet, other than the Appendices).

2. Voting entitlements

For the purposes of the Structure A Scheme Meeting, only those persons registered in the Share Register as a holder of VRL Shares at 7.00pm (Melbourne time) on Tuesday, 24 November 2020 (other than Structure A Excluded Shareholders) are entitled to participate and vote at the virtual (online only) Structure A Scheme Meeting in respect of each VRL Share held by them at that time, either personally, by proxy or attorney or, in the case of a VRL Shareholder or proxy who is a corporation, by corporate representative.

3. Required voting majority

a. The resolution to approve the Structure A Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act.

b. The resolution to approve the Structure A Scheme must be approved by:

   i. unless the Court orders otherwise, a majority in number (more than 50%) of holders of VRL Shareholders (other than Structure A Excluded Shareholders) present and voting at the Structure A Scheme Meeting (whether personally, by proxy, attorney or, in the case of a VRL Shareholder or a proxy who is a corporation, by corporate representative); and

   ii. at least 75% of the total number of votes which are cast at the Structure A Scheme Meeting by VRL Shareholders (other than Structure A Excluded Shareholders) (whether personally or by proxy, attorney, or in the case of a VRL Shareholder or a proxy who is a corporation, corporate representative).

c. The vote at the Structure A Scheme Meeting will be conducted by poll.

4. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Structure A Scheme (with or without any alterations or conditions agreed between VRL, VRC and BidCo or any alterations or conditions required by the Court to which VRL, VRC and BidCo agree) must also be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the Structure A Scheme is approved by the requisite majorities of VRL Shareholders at the Scheme Meeting, VRL intends to apply to the Court for orders approving the Structure A Scheme.

5. How to vote

VRL Shareholders who are entitled to vote at the Structure A Scheme Meeting may vote:

a. by participating in the virtual (online only) meeting and voting personally, or by appointing an attorney to participate in the virtual meeting and vote on their behalf or, in the case of an VRL Shareholder or proxy who is a corporation, a corporate representative to attend the meeting and vote on its behalf; or

b. by appointing a proxy to participate and vote on their behalf, using the Structure A Scheme Meeting Proxy Form accompanying this notice or by appointing a proxy online. A proxy may be an individual or a body corporate.

6. Jointly held VRL Shares

If you hold VRL Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the Structure A Scheme Meeting, only the vote of the holder whose name appears first on the Share Register will be counted.

7. Voting in person (or by attorney or corporate representative)

a. Eligible VRL Shareholders wishing to vote personally or their attorneys or, in the case of an VRL Shareholder or proxy who is a corporation, corporate representatives should log in online to participate in the virtual Structure A Scheme Meeting by using the following link: https://web.lumiagm.com. Please refer to Section 4.4 for further details on how to watch and participate in the Structure A Scheme Meeting online.

b. The relevant parties who plan to participate in the Structure A Scheme Meeting are asked to log in online 15 minutes prior to the time designated for the commencement of the Structure A Scheme Meeting, if possible, to register.

c. The power of attorney appointing your attorney to participate in and vote at the Structure A Scheme Meeting must be duly executed by you in the presence of at least one witness, and specify your name, the company (that is, Village Roadshow Limited), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.

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d. To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Share Registry before 11.00am (Melbourne time) on Tuesday, 24 November 2020 in any of the following ways:

   i. **By post** in the provided reply paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) to the Share Registry:

   Village Roadshow Limited, C/- Computershare Investor Services Pty Limited
   GPO Box 242 Melbourne
   Victoria 3001 Australia

   ii. **By fax** to the Share Registry on 1800 783 447 (within Australia) and +61 3 9473 2555 (outside Australia)

e. Your appointment of an attorney does not preclude you from logging in online and participating and voting at the Structure A Scheme Meeting. The appointment of your attorney is not revoked merely by your participation and taking part in the Structure A Scheme Meeting, but if you vote on a resolution, the attorney is not entitled to vote, and must not vote, as your attorney on that resolution.

f. To vote at the Structure A Scheme Meeting, you or your attorney or, in the case of a VRL Shareholder or proxy who is a corporation, corporate representative must log in online to participate in the virtual Scheme Meeting to be held at 11.00am (Melbourne time) on Thursday, 26 November 2020 by using the following link: https://web.lumiagm.com and using the following Meeting ID: 313-617-826.

g. A vote cast in accordance with the appointment of a power of attorney is valid even if before the vote was cast the appointor:

   i. died;

   ii. became mentally incapacitated;

   iii. revoked the power; or

   iv. transferred the shares in respect of which the vote was cast,

   unless VRL received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, the resumption of any adjourned meeting.

h. To vote by corporate representative at the meeting, a VRL Shareholder or proxy who is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Share Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Share Registry prior to the commencement of the meeting.

i. The appointment of a representative may set out restrictions on the representative's powers.

j. The original *Certificate of Appointment of Corporate Representative*, a certified copy of the *Certificate of Appointment of Corporate Representative*, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

8. Voting by proxy

Eligible VRL Shareholders wishing to appoint a proxy to vote on their behalf at the Structure A Scheme Meeting must:

a. complete and sign or validly authenticate the Structure A Scheme Meeting Proxy Form accompanying the Scheme Booklet and delivering the signed and completed Proxy Form to the Share Registry by 11.00am (Melbourne time) on Tuesday, 24 November 2020; or

b. appoint a proxy online by 11.00am (Melbourne time) on Tuesday, 24 November 2020,

in accordance with the instructions below.

9. Submitting proxies

Eligible VRL Shareholders wishing to appoint a proxy to participate and vote on their behalf at the Structure A Scheme Meeting must return the provided Structure A Scheme Meeting Proxy Form to the Share Registry in any of the following ways:

a. **By post** in the enclosed reply paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) provided to the Share Registry:

   Village Roadshow Limited, C/- Computershare Investor Services Pty Limited
   GPO Box 242 Melbourne
   Victoria 3001 Australia

b. **By fax** to the Share Registry on 1800 783 447 (within Australia) and +61 3 9473 2555 (outside Australia).

As the cut off date for receipt of proxies is 11.00am (Melbourne time) on Tuesday, 24 November 2020, you should ensure that it is posted, delivered or lodged online in sufficient time for it to be received by the Share Registry by that time.

Alternatively VRL Shareholders may choose to appoint a proxy online as follows:

c. **Online**: if you wish to appoint your proxy online, you should do so by visiting www.investorvote.com.au and by following the instructions on that website. Online appointments of proxies must be done by 11.00am (Melbourne time) on Tuesday, 24 November 2020.

10. Notes for proxy appointments

a. Proxies participating in the virtual Scheme Meetings will need to enter the unique username and password provided by Computershare and select login.

b. A VRL Shareholder entitled to participate in and vote at the meeting is entitled to appoint not more than two proxies to participate in and vote at the meeting on behalf of that VRL Shareholder's behalf.

c. A proxy need not be a VRL Shareholder.

d. You are entitled to appoint up to two proxies to participate in the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy you must specify the names of each proxy and the percentage of votes or number of securities for each proxy on the Structure A Scheme Meeting Proxy Form. Replacement Structure A Scheme Meeting Proxy Forms can also be obtained from the Share Registry.

e. If you hold VRL Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the Structure A Scheme Meeting Proxy Form.

f. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:

   i. if the proxy is the chair - the proxy must vote on the poll and must vote in the way directed; and

   ii. if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed.

g. If a proxy appointment is signed or validly authenticated by a VRL Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman or any other director of VRL or the company secretary, as nominated by the Chairman, will act as proxy in respect of the resolution to be considered at the Structure A Scheme Meeting.

h. If:

   i. a VRL Shareholder nominates the Chairman of the meeting as their proxy; or

   ii. the Chairman is otherwise appointed to act as proxy,

   then the person acting as Chairman in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the Structure A Scheme Meeting.

i. The Chairman intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Structure A Scheme (in the absence of a Superior Proposal from another party prior to the date of the Structure A Scheme Meeting).

j. A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:

   i. died;

   ii. became mentally incapacitated;

   iii. revoked the proxy; or

   iv. transferred the shares in respect of which the vote was cast,

   unless VRL received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting.

11. Advertisement

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to participate in the Structure A Scheme Meeting from VRL's website at www.villageroadshow.com.au or by contacting the Company Secretary of VRL or the Share Registry.

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APPENDIX 5

STRUCTURE B SCHEME

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Structure B Scheme of Arrangement

Village Roadshow Limited ABN 43 010 672 054

—

Scheme Shareholders

—

Level 23 Rialto Towers 525 Collins Street
Melbourne Vic 3000 Australia DX 204 Melbourne
T +61 3 8608 2000 F +61 3 8608 1000
minterellison.com

MinterEllison

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Structure B - Scheme of Arrangement

Village Roadshow Limited ABN 43 010 672 054

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Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth).

Between the parties

Village Roadshow Limited ABN 43 010 672 054 of Level 1, 500 Chapel Street, South Yarra, VIC 3141 (**VRL**)

and

Each Scheme Shareholder

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Agreed terms

1. Defined terms & interpretation

1.1 Definitions

In this Scheme, unless the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691, or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

Australian Theatres Joint Venture means the joint venture established and operated pursuant to the joint venture agreement dated 26 May 1989, as varied from time to time, between Village Cinemas Australia Pty Ltd, The Greater Union Organisation Pty Ltd and Birch, Carroll & Coyle Limited.

Border Uplift Event means the event where:

(a) at 12 noon (Brisbane time) on 1 November 2020, there are no border control measures imposed by the Queensland Government prohibiting any person from New South Wales from entering Queensland; and

(b) at 12 noon (Brisbane time) on 15 November 2020, there are no border control measures imposed by the Queensland Government prohibiting any person from Victoria from entering Queensland.

BGH means BGH Capital Pty Ltd ACN 617 836 982.

BidCo means VRG Bidco Pty Limited ACN 642 862 422.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Victoria, Australia.

Cash Consideration means $2.10, unless:

(a) if the Cinema Uplift Event occurs but neither the Theme Parks Uplift Event nor the Border Uplift Event occurs, in which case it means $2.18;

(b) if the Theme Parks Uplift Event occurs but neither the Theme Parks Uplift Event nor the Border Uplift Event occurs, in which case it means $2.22;

(c) if the Border Uplift Event occurs but neither the Cinema Uplift Event nor the Theme Park Uplift Event occurs, in which case it means $2.15;

(d) if both the Cinema Uplift Event and the Border Uplift Event occur, but the Theme Park Uplift Event does not occur, in which case it means $2.23;

(e) if both the Theme Park Uplift Event and the Border Uplift Event occur, but the Cinema Uplift Event does not occur, in which case it means $2.27; or

(f) if both the Cinema Uplift Event and Theme Parks Uplift Event occur, but the Border Uplift Event does not occur, in which case it means $2.30; and

(g) if all of the Cinema Uplift Event, the Theme Parks Uplift Event and the Border Uplift Event occur, in which case it means $2.35,

for each Scheme Share.

Cinema Business Locations means the cinema sites operated by:

(a) the VRL Group (including sites under the Australian Theatres Joint Venture); and

(b) each of The Greater Union Organisation Pty Ltd and Birch, Carroll & Coyle Limited under the Australian Theatres Joint Venture.

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Cinema Uplift Event means the event where:

(a) the majority of the Cinema Business Locations; and

(b) the Cinema Business Locations that have previously contributed to at least 75% of the revenue derived from the total Cinema Business Locations by reference to the financial year ended 30 June 2019 as specified in a list previously agreed by VRL and BidCo,

are open to the public for a period of 5 Business Days ending at 4pm on the day that is 11 days prior to the Proxy Cut-Off Date (disregarding temporary closures for cleaning or analogous purposes in accordance with the requirements of any Governmental Agency), and the relevant requirements of clause 6.3 of the Implementation Date have been met.

CHESS means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited ABN 49 008 504 532.

CHESS Holding has the meaning given in the Settlement Rules.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia (Victoria registry) or such other court of competent jurisdiction under the Corporations Act agreed in writing between VRL and BidCo.

Deed Poll means the Structure B Scheme Deed Poll dated 7 October 2020 executed by VRL and BidCo under which BidCo, among other things, covenants in favour of the Scheme Shareholders to perform the actions attributed to it under this Scheme.

Delivery Time means, in relation to the Second Court Date, two hours before the commencement of the hearing or, if the commencement of the hearing is adjourned, two hours before the commencement of the adjourned hearing, of the Court to approve this Scheme in accordance with section 411(4)(b) of the Corporations Act.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

Election means an election by a VRL Shareholder to retain 100% of their Scheme Shares in accordance with clause 6 of this Scheme and not transfer those shares to BidCo under this Scheme.

Election Date means 5.00pm on the date that is seven clear days before the Proxy Cut-Off Date.

Election Form means a form issued by VRL for the purposes of a VRL Shareholder making an Election.

End Date means the 'End Date' determined in accordance with the Implementation Agreement.

Governmental Agency means, whether domestic or foreign, any government or representative of a state or federal government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister, ASIC, ASX, the Takeovers Panel, the Foreign Investment Review Board and any regulatory organisation established under statute or any stock exchange or financial market

HoldCo means VRG Holdco Limited ACN 642 854 313.

Implementation Agreement means the Implementation Agreement dated 6 August 2020 between VRL, VRC, HoldCo and BidCo.

Implementation Date means the fifth Business Day after the Record Date or such other Business Day after the Record Date agreed to in writing between the parties to the Implementation Agreement.

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Issuer Sponsored Holding has the meaning given in the Settlement Rules.

Listing Rules means the official listing rules of ASX as amended from time to time.

Nominee has the meaning given in the VRL Shareholders' Deed.

Nominee Deed has the meaning given in the VRL Shareholders' Deed.

Market Integrity Rules means any rules made by ASIC under section 798G of the Corporations Act that apply to ASX or any other prescribed financial market on which VRL Shares are quoted.

Proxy Cut-Off Date means the last day on which proxies must be lodged for the Scheme Meeting.

Record Date means 7.00pm on the second Business Day after the Effective Date or such other time and date agreed to in writing between VRL and BidCo.

Registered Address means, in relation to a VRL Shareholder, the address shown in the Share Register as at the Record Date.

Regulatory Authority means:

(a) any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity;

(b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or

(c) any regulatory organisation established under statute,

in Australia whether federal, state, territorial or local.

Retained Share means a Scheme Share to be retained by a Scheme Shareholder in accordance with clause 6.

Retaining Shareholder means a Scheme Shareholder that holds any Retained Shares.

Retention Cap means 97,626,298 VRL Shares.

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between VRL and the Scheme Shareholders, subject to any alterations or conditions that are:

(d) agreed to in writing by VRL and BidCo, and approved by the Court; or

(e) made or required by the Court under section 411(6) of the Corporations Act and agreed to by VRL and BIdCo,

but does not include the VRL Shareholders' Deed.

Scheme Consideration in respect of a Scheme Shareholder means:

(a) if the Scheme Shareholder has not made a valid Election on or before the Election Date, the Cash Consideration for every Scheme Share held by the Scheme Shareholder; or

(b) if the Scheme Shareholder has made a valid Election on or before the Election Date and clause 6 has been applied to their holding of Scheme Shares, with the effect that the Scheme Shareholder is a Transferring Shareholder by reason of clause 6.2, the Transferring Shareholder will receive Scheme Consideration equal to the Cash Consideration for every Transferring Share held by that Scheme Shareholder.

Scheme Meeting means the meeting of VRL Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Share means a Share on issue as at the Record Date.

Scheme Shareholder means a person who holds one or more Scheme Shares.

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Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Settlement Rules means the ASX Settlement Operating Rules.

Share Register means the register of members of VRL maintained in accordance with the Corporations Act.

Structure A Ancillary Agreements have the meaning given to that term in the Implementation Agreement.

Subscription Agreement has the meaning given to that term in the Implementation Agreement.

Theme Parks Uplift Event means an event where the Warner Bros. Movie World and Sea World theme parks are open to the public for a period of 5 Business Days ending at 4pm on the day that is 11 days prior to the Proxy Cut-Off Date (disregarding temporary closures for weather related events, cleaning or analogous purposes in accordance with the requirements of any Governmental Agency), and the relevant requirements of clause 6.3 of the Implementation Agreement have been met.

Transferring Shareholder means a Scheme Shareholder that holds Transferring Shares.

Transferring Share means a Scheme Share that is not a Retained Share.

Trust Account means an Australian dollar denominated trust account operated by VRL as trustee for the benefit of Transferring Shareholders.

VRC means Village Roadshow Corporation Pty Ltd ABN 89 004 318 610.

VRL Registry means Computershare Investor Services Pty Ltd ACN 078 279 277 or any replacement provider of share registry services to VRL.

VRL Share means an issued fully paid ordinary share in the capital of VRL.

VRL Shareholder means a person who is registered in the register maintained by VRL under section 168(1) of the Corporations Act as a holder of one or more VRL Shares.

VRL Shareholders' Deed means the document titled 'Shareholders' Deed' in relation to VRL dated on or about 9 October 2020 between VRL, BidCo and the Participating Shareholders (as defined in the VRL Shareholders' Deed).

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

(a) The singular includes the plural, and the converse also applies.

(b) A gender includes all genders.

(c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.

(e) A reference to a clause or schedule is a reference to a clause of or schedule to this Scheme.

(f) A reference to an **agreement** or **document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes,

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except to the extent this Scheme expressly provides otherwise the recitals, schedules and annexures to that agreement or document.

(g) A reference to a party to this Scheme or an agreement or document includes the party's executors, administrators, successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).

(h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

(i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.

(j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.

(k) A reference to **dollars** or **$** is to Australian currency.

(l) All references to time are to Melbourne, Australia time.

(m) Mentioning anything after *includes*, *including*, *for example*, or similar expressions, does not limit what else might be included.

(n) A word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act.

(o) A reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity.

1.3 Business Day

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

1.4 Listing requirements included as law

A listing rule or operating rule of a financial market and a Market Integrity Rule will be regarded as a law and a reference to legislation (as appropriate), and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. Preliminary

2.1 VRL

(a) VRL is a public company limited by shares, registered in Victoria and admitted to the official list of ASX.

(b) The VRL Shares are officially quoted on ASX. As at the date of the Implementation Agreement 195,252,595 VRL Shares were on issue which are officially quoted on ASX.

2.2 BidCo

(a) BidCo is a proprietary company limited by shares registered in Victoria.

(b) BidCo is ultimately controlled by BGH and has been established by BGH for the purpose of the transactions under the Implementation Agreement. From the date of its incorporation to the date of the Implementation Agreement, BidCo has not conducted any business and hold no material assets except for executing the Structure A Ancillary Agreements, the VRL Shareholders' Deed and the Subscription Agreement.

2.3 General

(a) VRL and BidCo have agreed by executing the Implementation Agreement to implement this Scheme subject to the terms and conditions of this Scheme.

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(b) This Scheme attributes actions to BidCo but does not itself impose an obligation on it to perform those actions, as BidCo is not a party to this Scheme. BidCo has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the provision of the Scheme Consideration to the Transferring Shareholders subject to the terms and conditions of this Scheme.

2.4 Consequence of this Scheme becoming Effective

If this Scheme becomes Effective:

(a) BidCo will provide or procure the provision of the Scheme Consideration to Transferring Shareholders in accordance with this Scheme; and

(b) all the Transferring Shares, together with all rights and entitlements attaching to the Transferring Shares at the Implementation Date, will be transferred to BidCo, and VRL will enter BidCo in the Share Register as the holder of the Transferring Shares.

3. Conditions

(a) This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(i) all the conditions precedent in clause 4.1 of the Implementation Agreement (other than the condition in clause 4.1(j) of the Implementation Agreement (Court approval)) having been satisfied or waived in accordance with the terms of the Implementation Agreement by no later than the Delivery Time on the Second Court Date;

(ii) neither the Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms by no later than the Delivery Time on the Second Court Date;

(iii) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are agreed to in writing by VRL and BidCo;

(iv) such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are acceptable to the parties, having been satisfied; and

(v) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to section 411(10) of the Corporations Act, on or before the End Date (or any later date VRL and BidCo agree in writing).

(b) The satisfaction of the conditions referred to in clause 3(a) of this document is a condition precedent to the operation of clauses 4.2 and 5.

4. Implementation

4.1 Lodgement of Court orders

Subject to the Listing Rules, VRL must lodge with ASIC office copies of any Court orders under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme as soon as reasonably practicable after the Court approves this Scheme and in any event no later than by 5.00pm on the first Business Day after the Court approves this Scheme.

4.2 Transfer of Transferring Shares

On the Implementation Date:

(a) subject to the payment by VRL of the Scheme Consideration in the manner contemplated by clause 5.3(b), the Transferring Shares, together with all rights and entitlements

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attaching to the Transferring Shares at the Implementation Date, will be transferred to BidCo, without the need for any further act by any Transferring Shareholder (other than acts performed by VRL or its officers as agent and attorney of the Transferring Shareholders under clause 9.6 or otherwise), by:

(i) VRL delivering to BidCo a duly completed and executed share transfer form to transfer all the Transferring Shares to BidCo, executed on behalf of the Transferring Shareholders by VRL; and

(ii) BidCo duly executing such transfer form and delivering it to VRL for registration; and

(b) immediately after receipt of the transfer form in accordance with clause 4.2(a)(ii), VRL must enter, or procure the entry of, the name of BidCo in the Share Register in respect of the Transferring Shares transferred to BidCo in accordance with this Scheme.

5. Scheme Consideration

5.1 Amount of Scheme Consideration

Each Transferring Shareholder is entitled to receive the Scheme Consideration in respect of each of their Transferring Shares.

5.2 Election procedure

(a) Each VRL Shareholder will be entitled to make an Election. All Elections will take effect in accordance with this Scheme to the extent that any VRL Shareholder who makes an Election qualifies as a Scheme Shareholder.

(b) A VRL Shareholder which makes an Election may vary, withdraw or revoke that Election by lodging a replacement Election Form, subject to that replacement Election Form being received on or before the Election Date.

(c) An Election must be made in accordance with the terms and conditions of the Election Form and this clause 5.2, and an Election not so made will not be a valid election for the purpose of this Scheme and will not be recognised by BidCo or VRL for any purpose (provided that BidCo may, with the agreement of VRL, waive this requirement and may, with the agreement of VRL, settle as it thinks fit any difficulty, matter of interpretation or dispute which may arise in connection with determining the validity of any Election, and any such decision will be conclusive and binding on BidCo, VRL and the relevant Scheme Shareholder).

(d) Subject to clause 5.2(e), if a VRL Shareholder makes an Election, that Election will be deemed to apply in respect of the VRL Shareholder's registered holding of VRL Shares at the Record Date, regardless of whether the VRL Shareholder's holding of VRL Shares at the Record Date is greater or less than the VRL Shareholder's holding at the time it made its Election.

(e) A VRL Shareholder who is noted on the Share Register as holding one or more parcels of VRL Shares as trustee or nominee for, or otherwise on account of, another person, may make separate Elections under this clause 5.2 in relation to each of those parcels of VRL Shares (subject to it providing to BidCo and VRL any substantiating information they reasonably require), and if it does so it will be treated as a separate VRL Shareholder in respect of each such parcel in respect of which a separate Election is made (and in respect of any balance of its holding), provided that if, at the Record Date, it holds fewer VRL Shares than it held at the time it made the Election, then, unless it has at the time of any sale of VRL Shares notified VRL whether the VRL Shares sold relate to any such separate Election (and if so which separate Election the VRL Shares sold relate to), it will be treated as not having made a valid Election in respect of any of its VRL Shares (or will be treated in any other manner that BidCo and VRL agree is fair to the VRL Shareholder in all the circumstances acting reasonably).

5.3 Provision of Scheme Consideration

(a) The obligation of BidCo to provide the Scheme Consideration under this Scheme and the Deed Poll will be satisfied by BidCo, no later than the Business Day before the

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Implementation Date, depositing in cleared funds into the Trust Account an amount equal to the aggregate amount of the Cash Consideration payable to Transferring Shareholders who are entitled to the Cash Consideration under this Scheme, such amount to be held by VRL on trust for the Transferring Shareholders and for the purpose of sending the aggregate Cash Consideration to the Transferring Shareholders (except that any interest on the amount will be for the account of BidCo).

(b) On the Implementation Date and subject to funds having been deposited in accordance with clause 5.3(a), VRL must pay or procure the payment of the Cash Consideration to each Transferring Shareholder who is entitled to the Cash Consideration under this Scheme from the Trust Account by doing any of the following at its election:

(i) sending (or procuring the VRL Registry to send) it to the Transferring Shareholder's Registered Address by cheque (in the name of that Transferring Shareholder) in Australian currency drawn out of the Trust Account; or

(ii) depositing (or procuring the VRL Registry to deposit) it into an account with any Australian ADI (as defined in the Corporations Act) notified to VRL (or the VRL Registry) by an appropriate authority from the Transferring Shareholder.

(c) If:

(i) a Transferring Shareholder does not have a Registered Address and no account has been notified in accordance with clause 5.3(b)(ii) or a deposit into such an account is rejected or refunded; or

(ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.7(a),

VRL as the trustee for the Transferring Shareholders may credit the amount payable to the relevant Transferring Shareholder to a separate bank account of VRL (**Separate Account**) to be held until the Transferring Shareholder claims the amount or the amount is dealt with under the *Unclaimed Money Act 2008* (Vic). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Transferring Shareholder claims the amount or the amount is dealt with under *Unclaimed Money Act 2008* (Vic). Until such time as the amount is dealt with under *Unclaimed Money Act 2008* (Vic), VRL must hold the amount on trust for the relevant Transferring Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of BidCo. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Transferring Shareholder when credited to the Separate Account or Trust Account (as applicable). VRL must maintain records of the amounts paid, the people who are entitled to the amount and any transfers of the amounts.

(d) To the extent that, following satisfaction of VRL's obligations under clause 5.2(b), there is a surplus in the amount held in the Trust Account, that surplus may be paid by VRL to BidCo.

5.4 Foreign resident capital gains withholding

(a) If BidCo determines, having regard to legal advice, that BidCo is either:

(i) required by law to withhold any amount from a payment to a Transferring Shareholder; or

(ii) liable to pay an amount to the Commissioner of Taxation under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of Transferring Shares from a Transferring Shareholder,

then BidCo is entitled to withhold the relevant amount before making the payment to the Transferring Shareholder and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 5.3.

(b) BidCo must pay any amount so withheld to the relevant taxation authority within the time permitted by law, and, if requested in writing by the relevant Transferring Shareholder,

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provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment to the relevant Transferring Shareholder.

5.5 Joint holders

In the case of Transferring Shares held in joint names:

(a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent at the sole discretion of VRL, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders; and

(b) any other document required to be sent under this Scheme, will be forwarded, at the sole discretion of VRL, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders.

5.6 Fractional entitlements

Where the calculation of the Scheme Consideration to be provided to a Transferring Shareholder would result in the Transferring Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

5.7 Unclaimed monies

(a) VRL may cancel a cheque sent under this clause 5 if the cheque:

(i) is returned to VRL; or

(ii) has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of 11 months commencing on the Implementation Date, on request in writing from a Transferring Shareholder to VRL (or the Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), VRL must reissue a cheque that was previously cancelled under clause 5.7(a).

(c) The *Unclaimed Money Act 2008* (Vic) will apply in relation to any Scheme Consideration which becomes “unclaimed money” (as defined in section 3 of the *Unclaimed Moneys Act 2008* (Vic)).

(d) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of BidCo.

5.8 Order of a court or Regulatory Authority

If:

(a) written notice is given to VRL (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that requires payment to a third party of a sum in respect of Transferring Shares held by a particular Transferring Shareholder, which would otherwise be payable to that Transferring Shareholder by VRL in accordance with this clause 5, then VRL may procure that payment is made in accordance with that order or direction; or

(b) written notice is given to VRL (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that prevents VRL from making a payment to any particular Transferring Shareholder in accordance with clause 5.3(b), or such payment is otherwise prohibited by applicable law, VRL may retain an amount equal to the number of Transferring Shares held by that Transferring Shareholder multiplied by the Scheme Consideration until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law,

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and the payment or retention by VRL (or the Share Registry) will constitute the full discharge of VRL's obligations under clause 5.3(b) with respect of the amount so paid or retained until, in the case of clause 5.8(b), it is no longer required to be retained.

5.9 Definition of *sending*

For the purposes of clause 5, the expression *sending* means, in relation to each Transferring Shareholder:

(a) sending by ordinary pre-paid post or courier to the Registered Address of that Transferring Shareholder as at the Record Date; or

(b) delivery to the Registered Address of that Transferring Shareholder as at the Record Date by any other means at no cost to the recipient.

6. Retention Shares

6.1 General

(a) Any VRL Shareholder will be entitled to make an Election, subject to the terms of this clause 6.

(b) Subject to clause 6.2:

(i) a Scheme Shareholder who makes a valid Election will retain all of their Scheme Shares;

(ii) a Scheme Shareholder will be a Retaining Shareholder in respect of the Scheme Shares they retain; and

(iii) the Scheme Shares retained by the Retaining Shareholder will be Retained Shares.

6.2 Retained Shares Scaleback

Subject to the remainder of this clause 6, if the number of Scheme Shares held by Scheme Shareholders who have made valid Elections is greater than the Retention Cap, the number of Scheme Shares to be retained by a Scheme Shareholder who has made a valid Election will be calculated in accordance with the following formula:

NR = (B/A) x C,

where:

NR = the number of Scheme Shares to be retained by the Scheme Shareholder, subject to the remainder of this clause 6;

A = the number of Scheme Shares in respect of which Scheme Shareholders in aggregate have made valid Elections on or before the Election Date;

B = the Retention Cap; and

C = the number of Scheme Shares held by the Scheme Shareholder,

in which case that Scheme Shareholder will be a Transferring Shareholder in respect of that number of Scheme Shares by which C exceeds NR, and will receive Scheme Consideration in relation to those Transferring Shares.

6.3 Fractional entitlements

Where the calculation of the Scheme Consideration to be retained by a Retaining Shareholder would result in a fraction of a share, that fractional amount of a share will be rounded down to the nearest whole share.

Any Scheme Shares held by a Retaining Shareholder that are not Retained Shares due to the operation of this clause 6 are Transferring Shares, and the Retaining Shareholder is a Transferring Shareholder in respect of those Transferring Shares.

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7. Dealings in VRL Shares

7.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in VRL Shares or other alterations to the Share Register will only be recognised if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant VRL Shares on or before 7.00pm on the Record Date; and

(b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before 5.00pm on the day on which the Record Date occurs at the place where the Share Register is kept,

and VRL will not accept for registration, nor recognise for any purpose (except a transfer to BidCo under this Scheme and any subsequent transfer by BidCo or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

7.2 Register

(a) (**Registration of transfers**) VRL must register registrable transmission applications or transfers of the kind referred to in clause 7.1(b) by or as soon as reasonably practicable after the Record Date (provided that for the avoidance of doubt nothing in this clause 7.2 requires VRL to register a transfer that would result in a VRL Shareholder holding a parcel of VRL Shares that is less than a 'marketable parcel' (as defined in the Settlement Rules)).

(b) (**No registration after Record Date**) VRL will not accept for registration or recognise for any purpose any transmission application or transfer in respect of VRL Shares received after 5.00pm on the day on which the Record Date occurs, other than to BidCo in accordance with this Scheme and any subsequent transfer to or by BidCo or its successors in title.

(c) (**Maintenance of Share Register**) For the purpose of determining entitlements to the Scheme Consideration, VRL must maintain the Share Register in accordance with the provisions of this clause until the Scheme Consideration has been delivered to the Transferring Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

(d) (**No disposal after Record Date**) From the Record Date until registration of BidCo in respect of all Transferring Shares under clause 4, no VRL Shareholder may dispose or otherwise deal with VRL Shares (or purport to do so) in any way except as set out in this Scheme and any attempt to do so will have no effect and VRL shall be entitled to disregard any such disposal or dealing.

(e) (**Statements of holding from Record Date**) All statements of holding for Transferring Shares will cease to have effect from the Record Date as documents of title in respect of those shares. As from the Record Date, each entry current at that date on the Share Register in respect of Transferring Shares will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the VRL Shares relating to that entry.

(f) (**Provision of Scheme Shareholder details**) As soon as practicable on or after the Record Date and in any event within one Business Day after the Record Date, VRL will ensure that details of the names, Registered Addresses and holdings of VRL Shares for each Scheme Shareholder are available to BidCo in the form BidCo reasonably requires.

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8. Suspension and delisting

(a) VRL will apply to ASX to suspend trading on the ASX in VRL Shares with effect from the close of trading on the Effective Date.

(b) On a date after the Implementation Date to be determined by BidCo, and to take effect only after the transfer of the Transferring Shares has been registered in accordance with clause 4.2(b), VRL will apply:

(i) for termination of the official quotation of VRL Shares on ASX; and

(ii) to have itself removed from the official list of ASX, and

each Retaining Shareholder is deemed to have agreed to VRL taking the steps referred to in this clause.

9. General Scheme provisions

9.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

(a) VRL may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which BidCo has consented in writing; and

(b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for VRL has consented.

9.2 Binding effect of Scheme

This Scheme binds VRL and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of VRL.

9.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder:

(a) agrees to the transfer of their Transferring Shares together with all rights and entitlements attaching to those VRL Shares in accordance with this Scheme;

(b) who holds their Transferring Shares in a CHESS Holding agrees to the conversion of those Shares to an Issuer Sponsored Holding and irrevocably authorises VRL to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion;

(c) agrees to any variation, cancellation or modification of the rights attached to their VRL Shares constituted by or resulting from this Scheme;

(d) agrees to, on the direction of BidCo, destroy any holding statements or share certificates relating to their Transferring Shares;

(e) to the extent they hold Retained Shares, agrees to be bound by the VRL Shareholders' Deed;

(f) acknowledges and agrees that this Scheme binds VRL and all Scheme Shareholders (including those who did not attend the Scheme Meeting or did not vote at that meeting or voted against this Scheme at that Scheme Meeting).

9.4 Warranties by Scheme Shareholders

(a) Each Scheme Shareholder is deemed to have warranted to VRL, in its own right and for the benefit of BidCo, that as at the Implementation Date:

(i) all of its Transferring Shares which are transferred to BidCo under this Scheme, including any rights and entitlements attaching to those Transferring Shares, will,

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at the time of transfer, be free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;

(ii) all of its Transferring Shares which are transferred to BidCo under this Scheme will, on the date on which they are transferred to BidCo, be fully paid;

(iii) it has full power and capacity to transfer its Transferring Shares to BidCo together with any rights attaching to those shares; and

(iv) it has no existing right to be issued any VRL Shares, options exercisable into VRL Shares, VRL convertible notes or any other VRL securities.

(b) VRL undertakes that it will provide the warranties in clause 9.4(a) to BidCo as agent and attorney of each Scheme Shareholder.

9.5 Title to and rights in Scheme Shares

(a) To the extent permitted by law, the Transferring Shares (including all rights and entitlements attached to Transferring Shares) transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.

(b) On and from the Implementation Date, subject to the provision of the Scheme Consideration to each Transferring Shareholder in the manner contemplated by clause 5.3(b), BidCo will be beneficially entitled to the Transferring Shares transferred to it under this Scheme pending registration by VRL of BidCo in the Share Register as the holder of the Transferring Shares.

9.6 Authority given to VRL

(a) Scheme Shareholders will be deemed to have authorised VRL to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Scheme, including executing and delivering, as agent and attorney of each Scheme Shareholder:

(i) a share transfer or transfers in relation to Transferring Shares as contemplated by clause 4.2;

(ii) any deed or document required by VRL or BidCo that causes each Retaining Shareholder to be bound by the VRL Shareholders' Deed;

(iii) if the aggregate of:

(A) the total number of holders of Retained Shares; and

(B) the total number of expected holders of the Transferring Shares,

would, in BidCo's reasonable opinion, exceed 50, any transfer of Retained Shares to the Nominee as deemed necessary by BidCo for the Nominee to hold on bare trust as provided for, and in accordance with the VRL Shareholders' Deed and the Nominee Deed (such that the Retaining Shareholders affected by such transfer will be beneficial holders but not the legal holders of the Retained Shares); and

(iv) any deed or document required by VRL or BidCo that causes each Retaining Shareholder to be bound by the constituent documents of any trust for the Retaining Shareholder referred to in clause 9.6(a)(iii).

(b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints VRL and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:

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(i) on the Effective Date, enforcing the Deed Poll against BidCo and VRL accepts such appointment; and

(ii) on the Implementation Date, executing any document necessary to give effect to this Scheme including, a proper instrument of transfer of its Transferring Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all, the Transferring Shares and VRL accepts such appointment.

9.7 Appointment of sole proxy

Immediately after the provision of the Scheme Consideration to each Transferring Shareholder in the manner contemplated by clause 5.3(b) until VRL registers BidCo as the holder of all Transferring Shares in the Share Register, each Transferring Shareholder:

(a) is deemed to have irrevocably appointed BidCo as its attorney and agent (and directed BidCo in such capacity) to appoint an officer or agent nominated by BidCo as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of VRL, exercise the votes attaching to the Transferring Shares registered in its name and sign any shareholders' resolution;

(b) undertakes not to otherwise attend Shareholders' meetings, exercise the votes attaching to Transferring Shares registered in their names or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to clause 9.7(a);

(c) must take all other actions in the capacity of a registered holder of Transferring Shares as BidCo reasonably directs; and

(d) acknowledges and agrees that in exercising the powers referred to in clause 9.7(a), BidCo and any officer or agent nominated by BidCo under clause 9.7(a) may act in the best interests of BidCo as the intended registered holder of the Transferring Shares.

9.8 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications or elections by a Transferring Shareholder to VRL binding or deemed binding between the Transferring Shareholder and VRL relating to VRL or Transferring Shares (including any email addresses, instructions relating to communications from VRL, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from VRL) will be deemed from the Implementation Date (except to the extent determined otherwise by BidCo in its sole discretion), by reason of this Scheme, to be made by the Transferring Shareholder to BidCo and will be accepted by BidCo until that instruction, notification or election is revoked or amended in writing addressed to BidCo at its registry.

10. General

10.1 Stamp duty

BidCo must pay all stamp duty payable in connection with the transfer of the Transferring Shares to BidCo pursuant to this Scheme.

10.2 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to VRL, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at VRL's registered office or at the office of the VRL Registry.

(b) The accidental omission to give notice of the Scheme Meeting or the non- receipt of such a notice by any Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

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10.3 Further assurances

(a) VRL must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.

(b) Each Scheme Shareholder consents to VRL doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

10.4 Governing law and jurisdiction

(a) This Scheme is governed by the laws of Victoria.

(b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

10.5 No liability when acting in good faith

Neither BidCo nor any of its respective directors, officers, secretaries or employees, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

APPENDIX 6

STRUCTURE B SCHEME DEED POLL

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Execution version

Structure B deed poll

—

VRG Bidco Pty Limited (**BidCo**)
Village Roadshow Limited (**VRL**)

—

Level 23 Rialto Towers 525 Collins Street
Melbourne Vic 3000 Australia DX 204 Melbourne
T +61 3 8608 2000 F +61 3 8608 1000
minterellison.com

MinterEllison

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Structure B deed poll

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Details

Date 7 October 2020

Parties

Name	VRG Bidco Pty Limited
ACN	642 862 422
Short form name	**BidCo**
Notice details	Level 26, 101 Collins Street, Melbourne, Vic 3000 Email: BGray@bghcapital.com and Hmorfis@bghcapital.com Attention: Ben Gray and Hari Morfis

Name	**Village Roadshow Limited**
ABN	43 010 672 054
Short form name	**VRL**
Notice details	Level 1, 500 Chapel Street, South Yarra, Vic 3141 Email: Simon_Phillipson@vrl.com.au Attention: Mr Simon Phillipson

Background

A On 6 August 2020, VRL, VRC, BidCo and HoldCo entered into the Implementation Agreement to provide for (among other matters) the implementation of the Structure B Scheme.

B The effect of the Structure B Scheme will be to transfer all Transferring Shares to BidCo in return for the Structure B Scheme Consideration.

C BidCo enters this deed poll to covenant in favour of Structure B Scheme Shareholders to:

(i) perform the actions attributed to it under the Structure B Scheme; and

(ii) provide the Structure B Scheme Consideration in accordance with the Structure B Scheme.

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Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this document:

HoldCo means VRG Holdco Limited ACN 642 854 313.

Implementation Agreement means the Implementation Agreement dated 6 August 2020 between VRL, VRC, BidCo and HoldCo.

VRC means Village Roadshow Corporation Pty Ltd ACN 004 318 610.

VRL means Village Roadshow Limited ABN 43 010 672 054 as trustee for the Scheme Shareholders.

Trust Account has the meaning given in the Structure B Scheme.

1.2 Terms defined in Implementation Agreement

Words and phrases defined in the Implementation Agreement have the same meaning in this deed poll unless the context requires otherwise.

1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3 and 1.4 of the Implementation Agreement form part of this deed poll as if set out at length in this deed poll but with *deed poll* substituted for *deed* and with any reference to *party* being taken to include the Structure B Scheme Shareholders.

2. Nature of this deed poll

BidCo agrees that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Structure B Scheme Shareholders are not a party to it.

3. Conditions

3.1 Conditions

BidCo's obligations under this deed poll are subject to the Structure B Scheme becoming Effective.

3.2 Termination

This deed poll and the obligations of BidCo under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

(a) the Implementation Agreement is terminated in accordance with its terms;

(b) the Structure A Scheme becomes Effective; or

(c) the Structure B Scheme is not Effective on or before the End Date or any later date as the Court, with the consent of BidCo and VRL, may order,

unless VRL and BidCo otherwise agree in writing.

3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to them:

(a) BidCo is released from its obligations to further perform this deed poll; and

(b) each Structure B Scheme Shareholder retains the rights they have against BidCo in respect of any breach of this deed poll which occurred before it terminated.

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4. Performance of obligations

4.1 Generally

Subject to clause 3, BidCo covenants in favour of Structure B Scheme Shareholders to perform the actions attributed to it under, and otherwise comply with, the Structure B Scheme as if BidCo was a party to the Structure B Scheme.

4.2 Provision of Scheme Consideration

(a) Subject to clause 3, BidCo undertakes in favour of each Transferring Shareholder to provide or procure the provision of the Structure B Scheme Consideration to each Transferring Shareholder in accordance with the terms of the Structure B Scheme.

(b) The obligations of BidCo under clause 4.2(a) will be satisfied if, in respect of the Structure B Scheme Consideration BidCo deposits, no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Structure B Scheme Consideration payable to Transferring Shareholders in cleared funds to the Trust Account, in accordance with, and subject to, the provisions of the Structure B Scheme.

5. Warranties

BidCo represents and warrants to each Structure B Scheme Shareholder that:

(a) (**status**) it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;

(b) (**power**) it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

(c) (**corporate authorisations**) it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;

(d) (**documents binding**) this deed poll is its valid and binding obligation enforceable in accordance with its terms;

(e) (**transactions permitted**) the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:

(i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;

(ii) its constitution or other constituent documents; or

(iii) any other document which is binding on it or its assets; and

(f) (**solvency**) it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

6. Continuing Obligations

6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

(a) BidCo having fully performed its obligations under this deed poll; and

(b) termination of this deed poll under clause 3.2.

6.2 Variation

A provision of this deed poll may not be varied unless:

(a) before the Second Court Date, the variation is agreed to in writing by VRL; or

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(b) on or after the Second Court Date, the variation is agreed to in writing by VRL and is approved by the Court,

in which event BidCo will enter into a further deed poll in favour of each Structure B Scheme Shareholder giving effect to the amendment.

7. Notices

Any notice, demand or other communication (a **Notice**) to BidCo in respect of this deed poll:

(a) must be in writing and signed by the sender or a person duly authorised by it;

(b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, email or to the address or email address specified in the Details;

(c) will be conclusively taken to be duly given or made:

(i) (**in the case of delivery in hand**), when delivered at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or is made after 5.00pm on a Business Day, in which case that Notice will be deemed to be received at 9.00am on the next Business Day;

(ii) (**in the case of delivery by post**), on the third Business Days after the date of posting (if posted to an address within Australia) or the fifth Business Days after the date of posting (if posted to an address outside Australia); or

(iii) (**in the case of email**), on the earlier of:

(A) when the sending party's email system confirms delivery of the email by way of a delivery notification; or

(B) when the recipient party confirms receipt to the sending party via email or telephone.

8. General Provisions

8.1 Assignment

(a) The rights and obligations of BidCo VRL and each Structure B Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of BidCo and VRL.

(b) Any purported dealing in contravention of clause 8.1(a) is invalid.

8.2 Cumulative rights

The rights, powers and remedies of BidCo and each Structure B Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

8.3 No waiver

(a) BidCo may not rely on the words or conduct of any Structure B Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Structure B Scheme Shareholder granting the waiver.

(b) If a Structure B Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.

(c) No Structure B Scheme Shareholder may rely on words or conduct of BidCo as a waiver of any right unless the waiver is in writing and signed by BidCo.

(d) The meanings of the terms used in this clause 8.4 are set out below.

conduct includes delay in the exercise of a right.

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right means any right arising under or in connection with this deed poll and includes the right to rely on this clause.

waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

8.4 Stamp duty

BidCo:

(a) must pay or procure the payment of all stamp duty (if any) any related fines, penalties and interest in respect of the Structure B Scheme and this deed poll (including the acquisition or transfer of Structure B Scheme Shares pursuant to the Structure B Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Structure B Scheme and this deed poll; and

(b) indemnifies and undertakes to keep indemnified each Structure B Scheme Shareholder against any liability arising from a failure to comply with clause 8.4(a).

8.5 Further assurances

BidCo will, at its own expense, do all things reasonably required of it to give full effect to this deed poll.

8.6 Governing law and jurisdiction

This deed poll is governed by the laws of the State of Victoria. In relation to it and related non-contractual matters BidCo irrevocably:

(a) submit to the non-exclusive jurisdiction of courts with jurisdiction there; and

(b) waive any right to object to the venue on any ground.

8.7 Counterparts

(a) This deed poll may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the agreement of each party who has executed and delivered that counterpart. Each counterpart is an original but the counterparts together are one and the same agreement.

(b) This deed poll is binding on the parties on the exchange of duly executed counterparts.

(c) The parties agree that a copy of an original executed counterpart sent by email to the other party, instead of the original, is sufficient evidence of the execution of the original and may be produced in evidence for all purposes in place of the original.

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EXECUTED and delivered as a deed poll.

Executed by **Village Roadshow Limited** in accordance with Section 127 of the *Corporations Act 2001*

Signature of director	Signature of ~~director~~/company secretary (Please delete as applicable)
Julie Raffe	Simon Phillipson
Name of director (print)	Name of ~~director~~/company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

Executed by **VRG Bidco Pty Limited** in accordance with Section 127 of the *Corporations Act 2001*

Signature of director	Signature of director/company secretary (Please delete as applicable)
Name of director (print)	Name of director/company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

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Signing page

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Executed by **VRG Bidco Pty Limited** in accordance with Section 127 of the *Corporations Act 2001*

Signature of director	Signature of director/~~company secretary~~ (Please delete as applicable)
BEN GRAY	JASON PERRI
Name of director (print)	Name of director/~~company secretary~~ (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

APPENDIX 7

NOTICE OF STRUCTURE B SCHEME MEETING

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Appendix 7 – Notice of Structure B Scheme Meeting

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VILLAGE ROADSHOW LIMITED

ACN 010 672 054

NOTICE OF COURT ORDERED MEETING OF VILLAGE ROADSHOW LIMITED SHAREHOLDERS

Notice is given that, by an Order of the Federal Court of Australia (**Court**) made on 9 October 2020 under section 411(1) of the Corporations Act, the Court has directed that a meeting of the holders of fully paid ordinary shares of VRL be held virtually (online only) at 12.00 noon (Melbourne time) on Thursday, 26 November 2020 or at the conclusion or adjournment of the Structure A Scheme Meeting (whichever time is later).

The Court has also directed that Peter Tonagh or, if he is unable or unwilling to participate in the virtual (online only) meeting, Jennifer Fox Gambrell, act as Chairperson of the meeting.

PURPOSE OF THE MEETING

The purpose of the meeting is to consider and, if thought fit, to agree (with or without any alterations or conditions agreed to in writing between VRL and BidCo or any alterations or conditions required by the Court to which VRL and BidCo agree) to a scheme of arrangement proposed to be made between VRL and the holders of its ordinary shares (**Structure B Scheme**).

A copy of the Structure B Scheme and a copy of the Explanatory Statement required by section 412 of the Corporations Act in relation to the Structure B Scheme are contained in the Scheme Booklet of which this notice forms part.

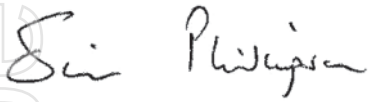
RESOLUTION

The meeting will be asked to consider and, if thought fit, pass the following resolution:

That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the members agree to the arrangement proposed between VRL and the holders of its fully paid ordinary shares, designated the ***Structure B Scheme****, as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and the Board of Directors of VRL is authorised to implement the Structure B Scheme with any such alterations or conditions.*

DATED 12 October 2020

BY ORDER OF THE COURT



Simon Phillipson
Company Secretary

Explanatory notes for the Structure B Scheme Meeting

1. General

a. Capitalised words and phrases contained in this Notice of Meeting (including the proposed resolution) have the same meaning as set out in the Glossary in Section 13 of the Scheme Booklet, of which this notice forms part.

b. This notice should be read in conjunction with the entire Scheme Booklet of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the proposed resolution. The Scheme Booklet includes a copy of the Structure B Scheme (refer Appendix 5) and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Structure B Scheme (the explanatory statement being all Sections of this Scheme Booklet, other than the Appendices).

2. Voting entitlements

For the purposes of the Structure B Scheme Meeting, only those persons registered in the Share Register as a holder of VRL Shares at 7.00pm (Melbourne time) on Tuesday, 24 November 2020 are entitled to participate and vote at the virtual (online only) Structure B Scheme Meeting in respect of each VRL Share held by them at that time, either personally, by proxy or attorney or, in the case of a VRL Shareholder or proxy who is a corporation, by corporate representative.

3. Required voting majority

a. The resolution to approve the Structure B Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act.

b. The resolution to approve the Structure B Scheme must be approved by:

   i. unless the Court orders otherwise, a majority in number (more than 50%) of holders of VRL Shareholders present and voting at the Structure B Scheme Meeting (whether personally, by proxy, attorney or, in the case of a VRL Shareholder or a proxy who is a corporation, by corporate representative); and

   ii. at least 75% of the total number of votes which are cast at the Structure B Scheme Meeting by VRL Shareholders whether personally or by proxy, attorney, or in the case of a VRL Shareholder or a proxy who is a corporation, corporate representative).

c. The vote at the Structure B Scheme Meeting will be conducted by poll.

4. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Structure B Scheme (with or without any alterations or conditions agreed between VRL and BidCo or any alterations or conditions required by the Court to which VRL and BidCo agree) must also be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the Structure B Scheme is approved by the requisite majorities of VRL Shareholders at the Scheme Meeting, VRL intends to apply to the Court for orders approving the Structure B Scheme.

5. How to vote

VRL Shareholders who are entitled to vote at the Structure B Scheme Meeting may vote:

a. by participating in the virtual (online only) meeting and voting personally, or by appointing an attorney to participate in the virtual meeting and vote on their behalf or, in the case of an VRL Shareholder or proxy who is a corporation, a corporate representative to attend the meeting and vote on its behalf; or

b. by appointing a proxy to participate and vote on their behalf, using the Structure B Scheme Meeting Proxy Form accompanying this notice or by appointing a proxy online. A proxy may be an individual or a body corporate.

6. Jointly held VRL Shares

If you hold VRL Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the Structure B Scheme Meeting, only the vote of the holder whose name appears first on the Share Register will be counted.

7. Voting in person (or by attorney or corporate representative)

a. Eligible VRL Shareholders wishing to vote personally or their attorneys or, in the case of an VRL Shareholder or proxy who is a corporation, corporate representatives should log in online to participate in the virtual Structure B Scheme Meeting by using the following link: https://web.lumiagm.com. Please refer to Section 4.4 for further details on how to watch and participate in the Structure B Scheme Meeting online.

b. The relevant parties who plan to participate in the Structure B Scheme Meeting are asked to log in online 15 minutes prior to the time designated for the commencement of the Structure B Scheme Meeting, if possible, to register.

c. The power of attorney appointing your attorney to participate in and vote at the Structure B Scheme Meeting must be duly executed by you in the presence of at least one witness, and specify your name, the company (that is, Village Roadshow Limited), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.

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d. To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Share Registry before 11.00am (Melbourne time) on Tuesday, 24 November 2020 in any of the following ways:

   i. **By post** in the provided reply paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) to the Share Registry:

      Village Roadshow Limited, C/- Computershare Investor Services Pty Limited
      GPO Box 242 Melbourne
      Victoria 3001 Australia

   ii. **By fax** to the Share Registry on 1800 783 447 (within Australia) and +61 3 9473 2555 (outside Australia)

e. Your appointment of an attorney does not preclude you from logging in online and participating and voting at the Structure B Scheme Meeting. The appointment of your attorney is not revoked merely by your participation and taking part in the Structure B Scheme Meeting, but if you vote on a resolution, the attorney is not entitled to vote, and must not vote, as your attorney on that resolution.

f. To vote at the Structure B Scheme Meeting, you or your attorney or, in the case of a VRL Shareholder or proxy who is a corporation, corporate representative must log in online to participate in the virtual Scheme Meeting to be held at 12.00 noon (Melbourne time) on Thursday, 26 November 2020 or at the conclusion or adjournment of the Structure A Scheme Meeting (whichever time is later) by using the following link: https://web.lumiagm.com and using the following Meeting ID: 372-984-605.

g. A vote cast in accordance with the appointment of a power of attorney is valid even if before the vote was cast the appointor:

   i. died;

   ii. became mentally incapacitated;

   iii. revoked the power; or

   iv. transferred the shares in respect of which the vote was cast,

   unless VRL received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, the resumption of any adjourned meeting.

h. To vote by corporate representative at the meeting, a VRL Shareholder or proxy who is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Share Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Share Registry prior to the commencement of the meeting.

i. The appointment of a representative may set out restrictions on the representative's powers.

j. The original *Certificate of Appointment of Corporate Representative*, a certified copy of the *Certificate of Appointment of Corporate Representative*, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

8. Voting by proxy

Eligible VRL Shareholders wishing to appoint a proxy to vote on their behalf at the Structure B Scheme Meeting must:

a. complete and sign or validly authenticate the Structure B Scheme Meeting Proxy Form accompanying the Scheme Booklet and delivering the signed and completed Proxy Form to the Share Registry by 11.00am (Melbourne time) on Tuesday 24 November 2020; or

b. appoint a proxy online by 11.00am (Melbourne time) on Tuesday, 24 November 2020,

in accordance with the instructions below.

9. Submitting proxies

Eligible VRL Shareholders wishing to appoint a proxy to participate and vote on their behalf at the Structure B Scheme Meeting must return the provided Structure B Scheme Meeting Proxy Form to the Share Registry in any of the following ways:

a. **By post** in the enclosed reply paid envelope (or the self-addressed envelope, for Shareholders whose registered address is outside Australia) provided to the Share Registry:

   Village Roadshow Limited, C/- Computershare Investor Services Pty Limited
   GPO Box 242 Melbourne
   Victoria 3001 Australia

b. **By fax** to the Share Registry on 1800 783 447 (within Australia) and +61 3 9473 2555 (outside Australia).

As the cut off date for receipt of proxies is 11.00am (Melbourne time) on Tuesday, 24 November 2020, you should ensure that it is posted, delivered or lodged online in sufficient time for it to be received by the Share Registry by that time.

Alternatively VRL Shareholders may choose to appoint a proxy online as follows:

c. **Online**: if you wish to appoint your proxy online, you should do so by visiting www.investorvote.com.au and by following the instructions on that website. Online appointments of proxies must be done by 11.00am (Melbourne time) on Tuesday, 24 November 2020.

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10. Notes for proxy appointments

a. Proxies participating in the virtual Scheme Meetings will need to enter the unique username and password provided by Computershare and select login.

b. A VRL Shareholder entitled to participate in and vote at the meeting is entitled to appoint not more than two proxies to participate in and vote at the meeting on behalf of that VRL Shareholder's behalf.

c. A proxy need not be a VRL Shareholder.

d. You are entitled to appoint up to two proxies to participate in the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy you must specify the names of each proxy and the percentage of votes or number of securities for each proxy on the Structure B Scheme Meeting Proxy Form. Replacement Structure B Scheme Meeting Proxy Forms can also be obtained from the Share Registry.

e. If you hold VRL Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the Structure B Scheme Meeting Proxy Form.

f. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:

   i. if the proxy is the chair - the proxy must vote on the poll and must vote in the way directed; and

   ii. if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed.

g. If a proxy appointment is signed or validly authenticated by a VRL Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman or any other director of VRL or the company secretary, as nominated by the Chairman, will act as proxy in respect of the resolution to be considered at the Structure B Scheme Meeting.

h. If:

   i. a VRL Shareholder nominates the Chairman of the meeting as their proxy; or

   ii. the Chairman is otherwise appointed to act as proxy,

   then the person acting as Chairman in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the Structure B Scheme Meeting.

i. The Chairman intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Structure B Scheme (in the absence of a Superior Proposal from another party prior to the date of the Structure B Scheme Meeting).

j. A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:

   i. died;

   ii. became mentally incapacitated;

   iii. revoked the proxy; or

   iv. transferred the shares in respect of which the vote was cast,

   unless VRL received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting.

11. Advertisement

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to participate in the Structure B Scheme Meeting from VRL's website at www.villageroadshow.com.au or by contacting the Company Secretary of VRL or the Share Registry.

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Corporate Directory

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Village Roadshow Limited
ACN 010 672 054

Level 1, The Jam Factory, 500 Chapel St
South Yarra, VIC 3141

Telephone: +61 3 9281 1000
Website: www.villageroadshow.com.au

Directors

Mr Robert Kirby (Executive Chairman, Executive Director)
Mr Graham Burke (Non-Executive Director)
Mr John Kirby (Non-Executive Director)
Mr Peter Tonagh (Independent Non-Executive Director)
Ms Jennifer Fox Gambrell (Independent Non-Executive Director)
Mr Robert Le Tet (Independent Non-Executive Director)
Ms Anna Duran (Independent Non-Executive Director)
Ms Julie Raffe (Finance Director)

Company Secretaries

Ms Julie Raffe
Mr Simon Phillipson

Auditor

Ernst & Young

Legal adviser

MinterEllison
Rialto Towers, 525 Collins Street
Melbourne, VIC 3000

Telephone: +61 3 8608 2000

Financial advisers

UBS Australia
Level 16, 8 Exhibition Street
Melbourne, VIC 3000

Telephone: +61 3 9242 6500

Stratford Advisory Group
Level 2, 161 Collins Street
Melbourne, VIC 3000

Telephone: + 61 2 9254 9600

Tax adviser

Ernst & Young
8 Exhibition Street,
Melbourne VIC 3000

Telephone +61 3 9288 8000

Independent Expert

Grant Samuel & Associates Pty Limited
Level 6, 1 Collins Street
Melbourne VIC 3000

Telephone: +61 3 9949 8800

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston St
Abbotsford, VIC 3067

Telephone: +61 3 9415 4000

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